NAVAL POSTGRADUATE SCHOOL
Monterey, California

THESIS

S982

MANAGING TO PAYROLL:
AN EVALUATION OF LOCAL
ACTIVITY DATA MANAGEMENT

by

Michael L. Szymanski

June 1989

Thesis Advisor: Glenn D. Eberling

Approved for Public Release; Distribution is unlimited.

T244114

REPORT DOCUMENTATION PAGE

Form Approved
OMB No 0704-0188

1a REPORT SECURITY CLASSIFICATION UNCLASSIFIED	1b RESTRICTIVE MARKINGS
2a SECURITY CLASSIFICATION AUTHORITY	3 DISTRIBUTION / AVAILABILITY OF REPORT APPROVED FOR PUBLIC RELEASE; DISTRIBUTION IS UNLIMITED.
2b DECLASSIFICATION / DOWNGRADING SCHEDULE	
4. PERFORMING ORGANIZATION REPORT NUMBER(S)	5 MONITORING ORGANIZATION REPORT NUMBER(S)
6a NAME OF PERFORMING ORGANIZATION NAVAL POSTGRADUATE SCHOOL 6b OFFICE SYMBOL (If applicable) 54	7a NAME OF MONITORING ORGANIZATION NAVAL POSTGRADUATE SCHOOL
6c. ADDRESS (City, State, and ZIP Code) MONTEREY, CA 93943-5000	7b ADDRESS (City, State, and ZIP Code) MONTEREY, CA 93943-5000
8a NAME OF FUNDING / SPONSORING ORGANIZATION 8b OFFICE SYMBOL (If applicable)	9 PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER
8c. ADDRESS (City, State, and ZIP Code)	10 SOURCE OF FUNDING NUMBERS PROGRAM ELEMENT NO / PROJECT NO / TASK NO / WORK UNIT ACCESSION NO

11 TITLE (Include Security Classification)
MANAGING TO PAYROLL: AN EVALUATION OF LOCAL ACTIVITY DATA MANAGEMENT

12 PERSONAL AUTHOR(S)
SZYMANSKI, MICHAEL L.

13a TYPE OF REPORT	13b TIME COVERED	14 DATE OF REPORT (Year, Month, Day)	15 PAGE COUNT
MASTER'S THESIS	FROM _____ TO _____	JUNE 1989	130

16 SUPPLEMENTARY NOTATION THE VIEWS IN THIS THESIS ARE THOSE OF THE AUTHOR AND DO NOT REFLECT OFFICIAL POLICY OR POSITIONS OF THE DEPARTMENT OF DEFENSE.

17 COSATI CODES			18 SUBJECT TERMS (Continue on reverse if necessary and identify by block number)
FIELD	GROUP	SUB-GROUP	MANAGING TO PAYROLL, LABOR COST MANAGEMENT, MANGEMENT INFORMATION SYSTEMS, MEMORANDUM ACCOUNTING SYSTEMS

19 ABSTRACT (Continue on reverse if necessary and identify by block number)

This thesis evaluates particular problems in the effective implementation of Managing to Payroll at non-industrial Naval shore activities. These problems stem from the Navy's efforts to improve control over civilian labor costs. These efforts failed to address the specific mechanisms necessary for successful payroll budget execution at the activity level. Concurrent transformation in Department of the Navy accounting systems under the Integrated Disbursing and Accounting (IDA) concept may be adding to the problems associated with aspects of Managing to Payroll. The labor cost data management procedures at the Naval Postgraduate School (NPS) Monterey were examined in detail. These procedures, developed locally, are designed to support compliance with the requirements of Managing to

20 DISTRIBUTION / AVAILABILITY OF ABSTRACT ☒ UNCLASSIFIED/UNLIMITED ☐ SAME AS RPT ☐ DTIC USERS	21 ABSTRACT SECURITY CLASSIFICATION UNCLASSIFIED
22a NAME OF RESPONSIBLE INDIVIDUAL GLENN D. EBERLING	22b TELEPHONE (Include Area Code) (408) 646-2536 22c OFFICE SYMBOL 54Er

Item #19 Continued:

Payroll. An analysis of these procedures and the associated reporting functions form the core of this study. Recommendations to improve the existing data management system and reporting functions are included.

Approved for Public Release; Distribution is unlimited.

Managing to Payroll: An Evaluation of Local Activity Data Management

by

Michael L. Szymanski
Lieutenant, Supply Corps, U.S. Navy
B.B.A., The University of Notre Dame, 1979

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
June 1989

5982
C.1

ABSTRACT

This thesis evaluates particular problems in the effective implementation of Managing to Payroll at non-industrial Naval shore activities. These problems stem from the Navy's efforts to improve control over civilian labor costs. These efforts failed to address the specific mechanisms necessary for successful payroll budget execution at the activity level. Concurrent transformation in Department of the Navy accounting systems under the Integrated Disbursing and Accounting (IDA) concept may be adding to the problems associated with aspects of Managing to Payroll. The labor cost data management procedures at the Naval Postgraduate School (NPS) Monterey were examined in detail. These procedures, developed locally, are designed to support compliance with the requirements of Managing to Payroll. An analysis of these procedures and the associated reporting functions form the core of this study. Recommendations to improve the existing data management system and reporting functions are included.

TABLE OF CONTENTS

I. INTRODUCTION 1

A. BACKGROUND 1

B. FOCUS AND OBJECTIVES OF RESEARCH 6

C. RESEARCH QUESTIONS 7

D. SCOPE AND LIMITATIONS OF THE STUDY 8

E. METHODOLOGY 9

F. SUMMARY OF CONCLUSIONS 10

G. ORGANIZATION OF THE STUDY 13

II. MANAGING TO PAYROLL: THE NEED VERSUS IMPLEMENTATION 14

A. THE NEED FOR MANAGING TO PAYROLL 14

B. THE MECHANICS OF MTP AT THE ACTIVITY LEVEL 20

C. RELATING LOCAL ACTIVITY MTP PROCESSES TO IDA .. 24

D. THE MEMORANDUM ACCOUNTING SYSTEM: THE NEEDS AND IMPLICATIONS 33

III. THE NPS MEMORANDUM ACCOUNTING SYSTEM 37

A. SYSTEM DESCRIPTION..... 38

B. SYSTEM OPERATION AND INFORMATION FLOW 46

C. GENERATION OF MANAGEMENT REPORTS 49

IV. EVALUATING THE NPS MEMORANDUM ACCOUNTING SYSTEM .. 52

A. DISSEMINATING VALUABLE INFORMATION TO NPS LINE MANAGERS 53

B. THE IMPACT OF LOCAL MIS DESIGN ON THE FUTURE OF MTP 61

C. OTHER ISSUES 62

V. FUTURE INFORMATION SYSTEMS AND MTP 66

APPENDIX A: SECNAV 12510.9 (AUGUST 26, 1986), SUBJECT: DELEGATION OF POSITION CLASSIFICATION AUTHORITY AND POSITION MANAGEMENT RESPONSIBILITIES CONSISTENT WITH PAYROLL MANAGEMENT 69

APPENDIX B: EXCERPTS FROM THE OFFICE OF CIVILIAN PERSONNEL MANAGEMENT DESK GUIDE FOR MANAGING TO PAYROLL (SEPTEMBER 1986) 78

APPENDIX C: FIPC GENERATED LABOR COST REPORTS 107

APPENDIX D: NPS DETAILED LABOR COST REPORTS 113

LIST OF REFERENCES 118

BIBLIOGRAPHY 120

INITIAL DISTRIBUTION LIST 121

LIST OF FIGURES AND EXHIBITS

FIGURE 1. PRE-IDA FLOW OF FINANCIAL INFORMATION 26

FIGURE 2. IDA FLOW OF FINANCIAL INFORMATION 28

EXHIBIT 1. NPS TIME AND ATTENDANCE CARD 31

EXHIBIT 2. NPS LABOR CARD 32

FIGURE 3. LABOR89 FILE STRUCTURE 40

FIGURE 4. EMPLOYEE FILE STRUCTURE 41

FIGURE 5. NPS ORGANIZATION CHART 42

FIGURE 6. NPS LINE MANAGER MTP REPORT 44

FIGURE 7. NPS SUBACTIVITY GROUPS (SAGs) 45

I. INTRODUCTION

A. BACKGROUND

The Managing to Payroll Desk Guide opens with the following statement regarding this labor resource management policy.

> Managing to Payroll is a fundamental change in managing personnel resources - line management is responsible for position management and position classification.
>
> Under Managing to Payroll, personnel costs are controlled by allocation of payroll to the lowest practical level of supervision. [Ref. 1]

There are two funding related issues that make successful implementation of Managing to Payroll critical to the Department of the Navy (DON).

First, the Navy needs a credible system of controlling obligations of civilian payroll dollars within budgetary constraints. Previous methods relying on end-strengths, work-years, or ceiling-points have proven grossly ineffective. Managing to Payroll was Secretary of the Navy John Lehman's reaction to the possible loss of DON control (to Congress) over civilian work force management.

The second funding issue is broad scale. All federal agencies can anticipate decreasing funds availability as the President and Congress attempt to execute the Gramm-Rudman-Hollings Deficit Reduction Act. Given the present state of relatively stable international affairs and the apparent

failure of the Soviet economy to sustain participation in an arms race, the Department of Defense (DOD) is likely to bear significant portions of any budget reductions. Diminished funding will require DON managers (particularly those at shore activities likely to face the first reductions) to optimize the use of available fiscal resources. Effective implementation of Managing to Payroll concepts will be one of the keys to this optimization, especially at shore activities where civilian labor costs often comprise as much as 70 percent of the overall budget.

Given the tug of war between restricted funds availability and the requirement to maintain mission capabilities, the function of collecting and disseminating financial information is likely to become a super-critical element in an activity's success or failure. Activity comptrollers are largely responsible for the quality with which this function is executed. The collection and dissemination of labor cost data for decision making purposes is related to one of the two primary functions critical to Managing to Payroll - payroll budget execution by line managers.

The other function of Managing to Payroll involves the authority for establishing and classifying civilian job positions. This authority was previously held by the Civilian Personnel Officer, a staff position within an

activity. Under MTP, this authority has been transferred to the line manager.

Thus, Managing to Payroll (MTP) involves two significant changes for activity line managers: 1) Line managers are allocated authorized levels of funding for civilian compensation and held responsible for the obligation of these funds, and 2) line managers are responsible for the structure of their work forces via authority for the establishment and classification of job positions [Ref. 2]. The intended result is that line managers act as the focal point in controlling labor costs. Instead of end- strength or work-year goals, the line manager's goal is keeping labor costs within budget - a budget he or she plays a key role in formulating - while meeting mission requirements.

Line managers, via the classification and establishment of jobs, are given the authority and responsibility for creating the most economical and efficient labor force to accomplish funded work. (In practice this delegation of authority may not always occur to an extent that permits effective labor mix control by line managers. This is another problem that may impede the effectiveness of MTP and will be discussed later.) Responsibility for payroll management is now included in the line manager's performance appraisal, seeking to motivate sincere efforts with regard to budget input and labor mix control. Formal documentation

and the details of this management policy are contained in Appendix A.

Evaluation of the two functional changes associated with MTP has been limited and has focused on job classification issues. On the one hand, the delegation of job classification authority to line managers appears to have been relatively well received and smoothly implemented. A survey of 651 managers had as its most significant finding that 72 percent of those surveyed like the authority and view it as an improvement in the management of personnel resources. Eighty-eight percent felt they clearly understood their classification authority and responsibilities under MTP. Additionally, disagreement between managers and classifiers[1] regarding job classification was perceived by only 5 percent of those surveyed. [Ref. 3].

On the other hand, the responsibility for payroll budget execution (by line managers) that accompanied the delegation of classification authority has received little formal evaluation. The overall goal of MTP is to improve this function, which is shared between the activity comptroller (responsible for the collection and dissemination of labor cost data) and the line manager (who uses this data and is

---

[1]Classifiers were responsible for job classification prior to MTP. As job classification authority has been delegated to line managers under MTP, the classifier now serves in an advisory capacity only.

responsible for decisions regarding payroll budget execution). It is not possible to evaluate budget execution by line mangers until it has been established that decision making information of sufficient value[2] is available to them. Hence the focus of this study: an evaluation of labor cost data management performed by activity comptrollers in support of MTP.

DON directives have emphasized the details of line manager classification authority, which may explain why evaluations of MTP focus on this function. Direction to activity heads regarding budget execution is usually limited to a requirement to monitor actual payroll obligations following "existing financial management policy" to ensure compliance with authorized funding levels [Ref. 2]. Direction from major claimants has been equally vague regarding the mechanics of budget execution necessary to support MTP effectiveness. For example, in ensuring that labor costs do not exceed funded levels, line managers are to

> ...use appropriate measurement devices and controls on a frequent basis that provide accurate data on actual expenditures and projected obligations [Ref. 4].

It is assumed in the above that the comptroller is responsible for providing "appropriate measurement device"

---

[2] The value of any information is a function of its timeliness and accuracy, as well as its clarity - clarity regarding the information's meaning and the ease with which it is used by decision makers.

output as feedback to line managers to support budget execution. The mechanics of this feedback system, so critical to budget execution, were not addressed in the preceeding reference.

Given the organizational changes wrought by implementing MTP (decentralization at the activity level), it is not likely that control mechanisms specified by "existing financial management policy" (based on centralization) can effectively support budget execution - an aspect critical to the success of MTP. Activity comptrollers, for the most part, were left to devise data management systems to support line managers in their new roles of decentralized budget execution - a requirement not likely to be satisfied by existing centralized accounting systems.

B. FOCUS AND OBJECTIVES OF RESEARCH

A previous study included consideration of this issue at an industrial shore establishment - a naval shipyard. It found that

> ...the existing management information system (MIS) was unable to provide timely reports to department and divisional managers on how payroll money was actually being spent. The system could not definitively tie object class eleven dollars[3] to a specific division [Ref. 5:p. 54].

---

[3] Object class eleven dollars are those funds specifically monitored under MTP and consist of basic compensation (regular salaries and wages including the costs of compensatory time, annual, sick or other paid leave and terminal leave payments), hazardous duty pay or post differentials (for service in hardship posts), overtime, and holiday premiums.

> While managers perceived improvement in the classification process, there was no system in place to control payroll costs or develop payroll budget forecasts. Without a financial control system in place to balance classification authority, the department is not truly managing to payroll [Ref. 5:p. 57].

The previous study, using the complex industrial environment of a naval shipyard, concluded that one of the more significant barriers to effective MTP implementation was the lack of a data management system to support the budget execution process. Other characteristics of the shipyard environment - massive scale of operations and shifting workload requirements - also prevented effective implementation of MTP.

This study focuses on activity comptroller responsibility for providing line managers with information that supports successful budget execution. It will examine this issue at a less complex organization - a non-industrial shore activity, the Naval Postgraduate School. It will identify problems that resulted, even in a less complex environment, from Department of the Navy efforts to improve control over civilian labor costs without addressing specific mechanisms essential to budget execution at the activity level.

C. RESEARCH QUESTIONS

The primary research question is, "How has local comptroller design and operation of management information systems impacted payroll budget execution and the

effectiveness of MTP?" The following subsidiary questions will be answered in support of this:

- Does the Navy need MTP?
- What are the mechanics of MTP at the activity level?
- What is the relationship between the IDA Financial Information Processing Centers and MTP?
- Why is a local MIS necessary?
- How does the MIS in place at the Naval Postgraduate School operate in support of MTP?
- How effective is the Naval Postgraduate School MIS in supporting line manager payroll budget execution?
- Within the Department of the Navy, what plans exist to eliminate the need for a local MIS to support MTP?

D. SCOPE AND LIMITATIONS OF THE STUDY

This study concerns the design and operation of a management information system which supports payroll budget execution at the Naval Postgraduate School, identifying the strengths and weaknesses of the processes involved and their impact on MTP as an element of long range financial management policy. Consideration is given to DON efforts to eliminate the need for local MIS's in support of MTP. The financial organization at the Postgraduate School is considered illustrative of non-industrial shore activities, so that no other activities were examined in detail. Telephone interviews were conducted with the comptrollers at other activities to determine the extent of local MIS design and operation as a means of supporting MTP. The conclusions and recommendations of this study pertain to other

activities to the extent of similarities with which their MIS's evolved - that is, the extent they were end-user designed and operated. The effectiveness of MIS's developed at other activities using different methods (e.g., commercial design, with assistance from external Navy organizations such as the Naval Data Automation Command, or with the assistance of internal data processing departments) was not evaluated or used in this study.

E. METHODOLOGY

The research methodology consisted of a review of applicable DON directives and instructions, periodicals and research papers. Personal interviews were conducted with individuals involved in the payroll budget execution function of MTP. This included line managers and supervisors, activity comptrollers and key personnel in their organizations. Phone interviews with officials at the Navy Accounting and Finance Center, Washington D. C. and the Navy Office of Civilian Personnel Management were also used in this study.

Initial immersion in segments of the activity comptroller's organization provided an understanding of the channels through which financial data is processed and the mechanisms in place for labor cost data management, reporting and control.

Information and insights obtained via field research and the interview process are used to analyze the effectiveness

of local management information systems in supporting line manager payroll budget execution. This analysis forms the basis for assessing the impact of the locally designed and operated accounting systems on the long range success of MTP.

F. SUMMARY OF CONCLUSIONS

Evaluations of MTP (i.e., surveys, activity inspections) focus on the delegation of classification authority to line managers. The benefits obtained by line manager's from this decentralization - decision making by those most familiar with operational requirements, greater flexibility, quicker decision making, increased freedom and initiative - are the source of line manager support for MTP. But the delegation of authority associated with job classification is only one side of MTP. The other side, line manager responsibility for payroll budget execution, receives far less attention in evaluations of the effectiveness of MTP.

This is likely the result of MTP instructions and guidance which also focus on delegation of classification authority and leave it to activity heads to design and operate systems to provide line managers with valuable decision making information. Without clear, specific guidance that ensures this information is available, it is not possible to evaluate line manager payroll budget execution.

Before we can evaluate line managers in this function we must ensure they have available timely, accurate, clear data related to labor costs - data that will support decisions regarding the use and structure of labor resources. The lack of a standard, effective information system that provides this data can only hinder line manager payroll budget execution. The failure to provide a standard, effective information system further contributes to the lack of evaluation in executing payroll budgets at the line manger level. Without standards to evaluate against, there can be no centralized evaluation of line manager budget execution under MTP.

At best, it has been shown that the concept of holding line managers responsible for executing payroll budgets has raised their awareness of the impact their decisions have on labor costs. The question of whether they truly "manage to payroll" remains open. Assessments of the financial impact of MTP at the highest DON levels, however, have been highly optimistic.

In October 1987, Admiral S. F. Loftus, NAVCOMPT Director of Budget and Reports, attributed the Navy's ability to hold payroll costs under budget for the first time in history to MTP [Ref. 6]. Additionally, Vincent Prantl, Director, Classification Division at the Office of Civilian Personnel Management stated in November 1988 that

> ...Managing to Payroll is an effective management tool to obtain better fiscal discipline. Congress

> grants the Department of the Navy salary appropriations based on workload. For the first time in history, the Department of the Navy's actual payroll expenditures were under the budget estimates. Managing to Payroll is proof that dollar controls are more manageable than artificial controls such as ceiling constraints. [Ref. 7].

Does MTP deserve the credit? It does represent a more business-like approach to managing labor resources. Given the lack of success in this area prior to MTP, changes were clearly warranted. But the lack of a standard, effective information system that provides line managers with labor cost data to support budget execution responsibilities makes the correlation between MTP and early DON success under MTP questionable. The threat of a loss of DON control over civilian work force management and budget formulation processes to Congress by itself provides a great deal of motivation in improving budget execution. The well advertised prospects of diminished funding that accompanied MTP's implementation certainly had an impact on budget execution as well.

A continued policy of local activity comptroller responsibility for design and operation of a management information system to support line managers, in the absence of other motivating forces, could alter the perception of MTP as an effective fiscal tool. An effective, standardized MIS is essential to the long term success of MTP in controlling civilian labor costs within the Department of the Navy.

G. ORGANIZATION OF THE STUDY

Chapter II will discuss the need for MTP, the mechanics involved at the activity level, and how MTP relates to the Navy's official accounting system. This chapter concludes with an explanation of why a local activity MIS is necessary and the implications involved. Chapter III will discuss the design and operation of the MIS in place at the Naval Postgraduate School. Chapter IV will evaluate the effectiveness of the local MIS in supporting line manager payroll budget execution, and the overall impact of local information systems on the future of MTP. Chapter V will discuss the potential for eliminating unique, local information systems via the development of a real time network capability between activities and the servicing Financial Information Processing Center (where official accounting records are maintained). This chapter will also address questions for future consideration related to MTP.

II. MANAGING TO PAYROLL: THE NEED VERSUS IMPLEMENTATION

This chapter addresses four issues:

--The need for Managing to Payroll.

--The mechanics of MTP at the activity level.

--The relationship between local activity MTP processes and IDA concepts.

--The need for a memorandum accounting system.

A. THE NEED FOR MANAGING TO PAYROLL.

1. Budget Execution and the Changing Environment

Two factors drove the need for major changes in the way the Navy executed its budget authority for civilian personnel compensation:

a. The potential loss of control over civilian work force management and budget formulation processes to Congress, due to the lack of success in keeping civilian labor expenditures under budget, and

b. The change in the funding environment, driven by emphasis on reducing the federal deficit. Given a shrinking budget, it is imperative that management optimize the use of available funds.

The failures of previous methods to adequately control labor costs originate in two areas: 1) the pre-MTP organizational structure for classifying and establishing

job positions and 2) the pre-MTP goals utilized for executing payroll budgets.

2. Job Classification/Establishment Prior to MTP

Position descriptions are used to describe existing jobs. They spell out primary duties, responsibilities, and specialized knowledge or skills required to perform the job. The position description is then associated with a classification standard to determine the position's salary level (i.e., grade).

The complexity and number of classification standards used to determine civil service employee grade levels promoted a need for centralized control in determining how jobs would be classified and graded. This control was executed at the activity level by the head of the activity through the Civilian Personnel Officer (CPO). Specific control was exercised by classification specialists, under the CPO, whose purpose and function were separate from the mission oriented line manger.

The CPO charter was specified in what DOD refers to as Position Management - the orderly arrangement of job positions in an organization to promote maximum economy, efficiency, and productivity [Ref. 1:p. 92]. The CPO, based on line manager input, held final authority over salary determinations associated with the modification of existing positions or the creation of new ones. These changes in the activity's labor force structure are driven by workload and

mission changes. The CPO determined the classification standard (and thus the salary) which corresponded to a line manager's position description.

This organizational structure was deficient for the following reasons:

a. It vested indirect authority over a line manager's labor costs in someone outside the operational chain of command. Often this was someone less knowledgeable of the operational skill requirements associated with a particular job position.

b. It contributed to inefficient decision making. Resolving classification disagreements between line managers and the CPO was often a lengthy process and could result in increasing the time required to fill a valid job requirement.

c. It served as the foundation for a nonproductive conflict between the line manager and the CPO. Line managers focus on obtaining the best qualified personnel for the job. This means competing with the private sector labor market. It is believed that salaries for equivalent jobs in civil service lag those in the private sector [Ref. 8:p. 292], so that line managers may seek to overgrade positions to compensate for the salary differential - but only in the interest of attracting and retaining quality personnel to best meet mission objectives.

The CPO, on the other hand, was tasked with protecting the activity head's authority to continue classifying positions. Given that civil service salaries lag the private sector, the view of the classifier as an obstacle in attracting and retaining quality personnel could be considered valid, especially from the line manager's perspective. Thus, line managers and classifiers could be pitted against one another from the onset in the effective and efficient structuring of the labor force.

d. This structure failed to provide motivation for line manager control over labor costs. Besides not having final authority over grade determinations (thus salary), the line manager was not even appraised with regard to control over labor costs. From this perspective, line managers could view labor as a free resource.

For these reasons, the organizational structure related to classifying jobs failed to contribute to effective payroll budget execution. Clear cut accountability and responsibility for labor costs did not exist at the cost center level under this structure.

3. Pre-MTP Payroll Budget Execution Goals

Activity end-strength was a goal commonly used in attempting to control labor costs prior to MTP. Hearings before Appropriation Defense Subcommittees in the House of Representatives that occur during the budget process have historically addressed and continue to address funding for

DOD civilian labor costs in terms of end-strength vice dollars [Ref. 8]. End-strength was defined as the number of career and career-conditional employees aboard an activity at the end of a fiscal year. There were numerous ways to comply with end-strength limits and still exceed the activity payroll budget - via the use of overtime or through the use of temporary or term employees. The use of work years and limits on overtime were also conceived as means of controlling labor costs.

A potential problem with these goals from an activity's viewpoint is that they were externally imposed and could appear arbitrary. The connection between the goal and mission accomplishment may not have been clear and depended on 1) the activity's ability to accurately translate mission requirements into end-strength, and 2) the activity's ability to influence the final determination of the end-strength goal. The activity did its best to comply with these goals and worked around them when mission needs dictated. Meanwhile, the comptroller centrally administered the payroll budget (kept track of funding provided and obligations incurred), and the Navy routinely exceeded its civilian budget authority.

Payroll budget execution under end-strength ceilings was so poor that DOD was able to obtain from Congress a statutory waiver of end-strength ceilings as it attempted to develop better controls. During this period (after end-

strength ceilings and before MTP). DOD end-strength increased by about 400,000 people. This was in 1985, the first year without ceilings. The failure to comply with the administrative control of payroll authority and the large end-strength increase in 1985 provided the impetus for MTP [Ref. 8:pp. 296, 319]. Given the large sums of money involved in compensating DON civilian personnel - nearly nine billion dollars annually, or 10 percent of the Navy's overall budget authority during fiscal year 1988 [Ref. 9]- and the track record of administering these funds, a more "business-like approach" was needed.

A private sector "business approach" in fact serves as the foundation for MTP. It represents a move toward decentralized responsibility over payroll budget execution. The concurrent increases in responsibility (for labor costs) and authority (for classifying jobs) embodied in MTP are intended to move DON line managers towards their private sector counterparts. MTP seeks to motivate line managers in considering the cost impact that improper position management (via job classification) will have on their operations. Where line managers exercise classification authority and are held responsible for budget execution, their efforts are documented in performance appraisals.

As a policy change, MTP theoretically represents a positive and promising step in improving control over

civilian labor costs. Implementing MTP at the activity level is another issue.

B. THE MECHANICS OF MTP AT THE ACTIVITY LEVEL

1. Implementing Changes in Position Management

SECNAVINST 12510.9, included in Appendix A, provides the basis for implementing MTP at the activity level. The focus is on position management. The steps below outline the process as it relates to activity head responsibilities:

a. Determination of the organizational levels to which classification authority will be delegated (usually at least one level below the activity head/assistant activity head).

b. Designation of specific positions within the organization for which classification authority is delegated.

c. Training current and new managers delegated these authorities.

d. Establishing a method to administer and monitor the execution of classification authority.

e. Establishing a process for resolving disagreements over the correctness of classifications and the structure of positions.

f. Defining the circumstances under which the delegation of authority may be revoked and the process for revocation.

g. Establishing a criterion for the quality with which line managers exercise classification authority as a basis for input to the performance appraisal process.

2. **Implementing Changes in Budget Administration**

Under MTP the line manager plays an active role in formulating the activity's payroll budget request. The Office of Civilian Personnel Management MTP Desk Guide [Ref. 1] directs line managers in estimating funding requirements on a fiscal year basis. It also illustrates methods to assess the financial impact of decisions that alter the line manager's labor mix. These decisions include the timing of step promotions, how vacancy requirements are to be satisfied (for instance, delayed or fractional fills of vacated positions versus immediate fills), and the reclassification of existing positions.

The line manager's first step in estimating a payroll budget involves generating a list of job positions under his or her cognizance and the personnel (by grade and step) anticipated to be in these positions at the start of the fiscal year. The activity's Civilian Personnel Office can provide a current listing on demand which can be used as a starting point.

Annual salaries (i.e., Object Class 11 costs plus an acceleration to cover fringe benefits) are posted to the job listing and divided by the number of work days in the year. The result is the cost of that employee per work day. The

cost per day is used to determine the total cost of the employee for the number of work days they remain on board in their original grade and step.

Projections for promotions, hirings, retirements, transfers, and position classification changes are factored into the listing to determine each job position's cost for the year. The end result is the line manager's budget input. Appendix B contains excerpts from the MTP Desk Guide that illustrate this process.

The line manager`s input is consolidated in the activity's overall annual budget request. Activity requests are reviewed and adjusted at the major claimant level. The major claimant submissions are then reviewed and adjusted at the SECNAV/NAVCOMPT level. The next level of review occurs at the SECDEF/OSD level. The President and OMB have the final review before submission to Congress. Throughout the review process and up to final Congressional authorization and appropriation, the funding for DON civilian personnel compensation is separately identified.

Following appropriation, the funding trickles down in reverse order and is allocated among major claimants and ultimately to individual activity heads. Again, the funding for civilian personnel compensation is specifically identified. Finally, the activity comptroller allocates payroll authority to the line manager level.

The purpose of line manager input to the budget formulation process just described is to match approved workloads with the funds necessary for economical and efficient accomplishment of that work. But completion of the long, complex formulation process - from line manager input to receipt of payroll authority - serves only as a starting point for the next phase: execution.

The other side of payroll budget administration-execution - involves real time decision making and control. While standardized guidance and training aids exist to support the line manager in budget formulation, activity heads are left to rely on existing financial management policy in devising mechanisms that support budget execution.

This is a feedback function that allows line managers to compare budgeted labor funding with actual labor costs - plans versus performance. This comparison and the informed decision making that results are the essence of payroll budget execution. It is the exercise of a steering control designed to keep labor costs under budget. It is also the spirit behind the letter of MTP policy.

The value of actual labor cost data is a function of its timeliness, accuracy, and clarity. Activity comptrollers are responsible for the provision and value of this information in accordance with existing financial management policy. This policy does not, however, provide a standardized means of compiling and disseminating actual

labor cost data of adequate, uniform value. This is intentional to a degree. Each activity is given the freedom to design mechanisms that best cope with its own peculiarities.

An alternative explanation for this situation may be due to the failure of existing DON accounting systems to provide timely, accurate, understandable data to line managers in executing payroll budgets [Ref. 10]. The result is a memorandum accounting information system that duplicates functions of the official accounting system. One is likely to find as many different memorandum systems as there are activities (given personal design implications)- and with varying degrees of effectiveness.

The goal of these memorandum systems in support of MTP objectives is critical. They must provide payroll cost data of adequate value. Absent this information, line managers can not effectively execute payroll budgets. They can not decide which direction to steer if they don't know where they're at. Thus, few line managers may truly be "managing to payroll."

C. RELATING LOCAL ACTIVITY MTP PROCESSES TO IDA

1. The Official Accounting System

IDA - Integrated Disbursing and Accounting - is a concept that represents the direction the Navy's official accounting system is heading. IDA is a DON project that has been underway for approximately ten years. It is a massive

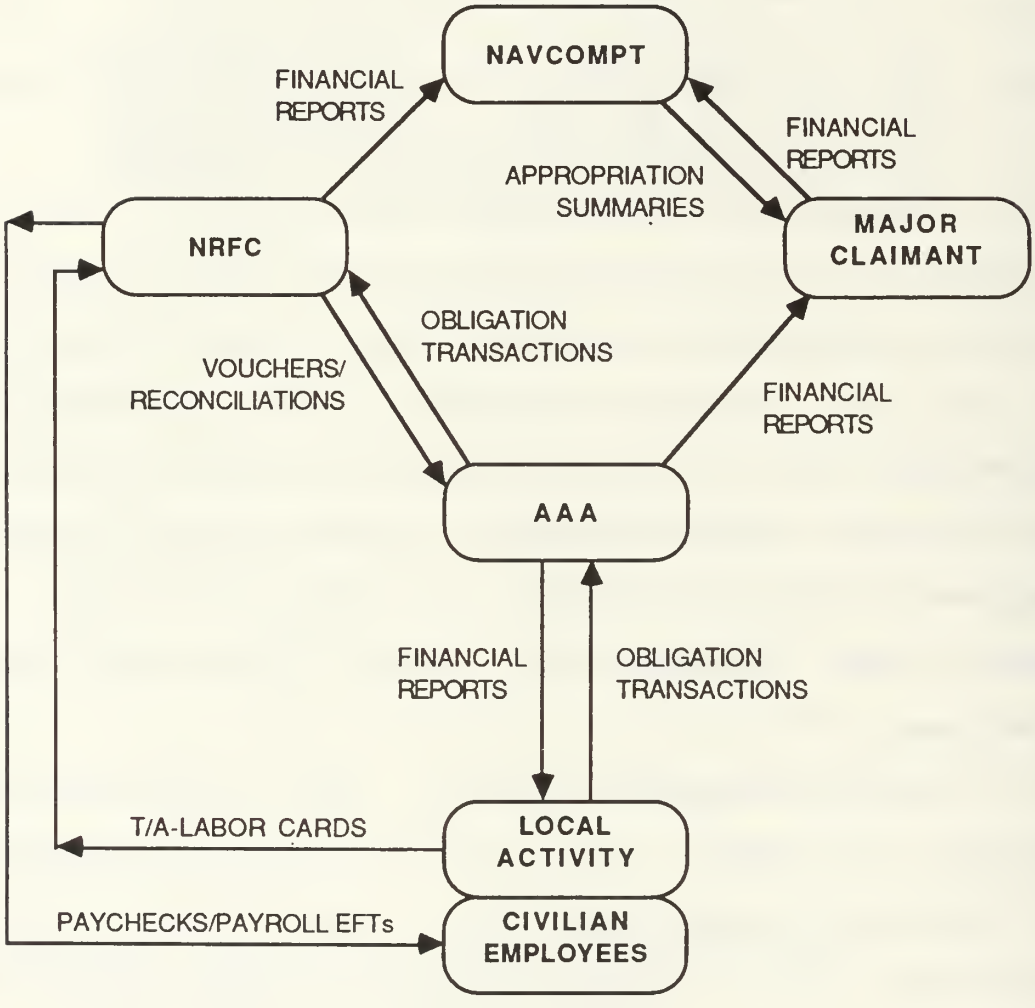
and complex effort to centralize and standardize the way the Navy processes its accounting information. The impetus for the project was two-fold:

> Pre-IDA systems did not satisfy internal Navy needs. These systems reported information regarding funds status. This status information often reaches management, particularly at the activity level, too late to be useful and is sometimes inaccurate.
>
> Pre-IDA systems did not satisfy externally imposed requirements. These systems were not approved by GAO as required by law. They did not generate accounting information that satisfied the requirements of external users such as GAO and OSD. [Ref. 10].

Prior to IDA, two separate activities (geographic as well as organizational) were involved in the operation of the official accounting system: 1) Authorized Accounting Activities (AAAs) to track obligations and generate reports, and 2) Navy Regional Finance Centers (NRFCs) to execute payments for these obligations and generate reports. In effect, two separate accounting systems were being maintained.

The AAAs generated reports (after reconciling their data with the NRFCs) for use by the supported activity and the activity's major claimant. These official reports constituted the activity's legal accounting records and provided information to the major claimant. Information from both the NRFCs and the major claimants was submitted to NAVCOMPT for further consolidation in the Navy's overall

Pre-IDA Flow of Financial Information



(Figure 1)

accounting records. Figure 1 depicts the pre-IDA flow of financial information.

Problems associated with the pre-IDA flow of information include these:

a. Geographic and organizational separation of the NRFCs and AAAs.

b. Massive paper flows between and within these organizations.

c. Major discrepancies when NRFCs/AAAs attempted to reconcile their records. .

d. Too many individuals and organizations involved.

e. Time lags in information processing and report generation. [Ref. 11].

IDA attempts to eliminate these problems by achieving the following goals:

a. Integrate disbursing and accounting functions under one roof.

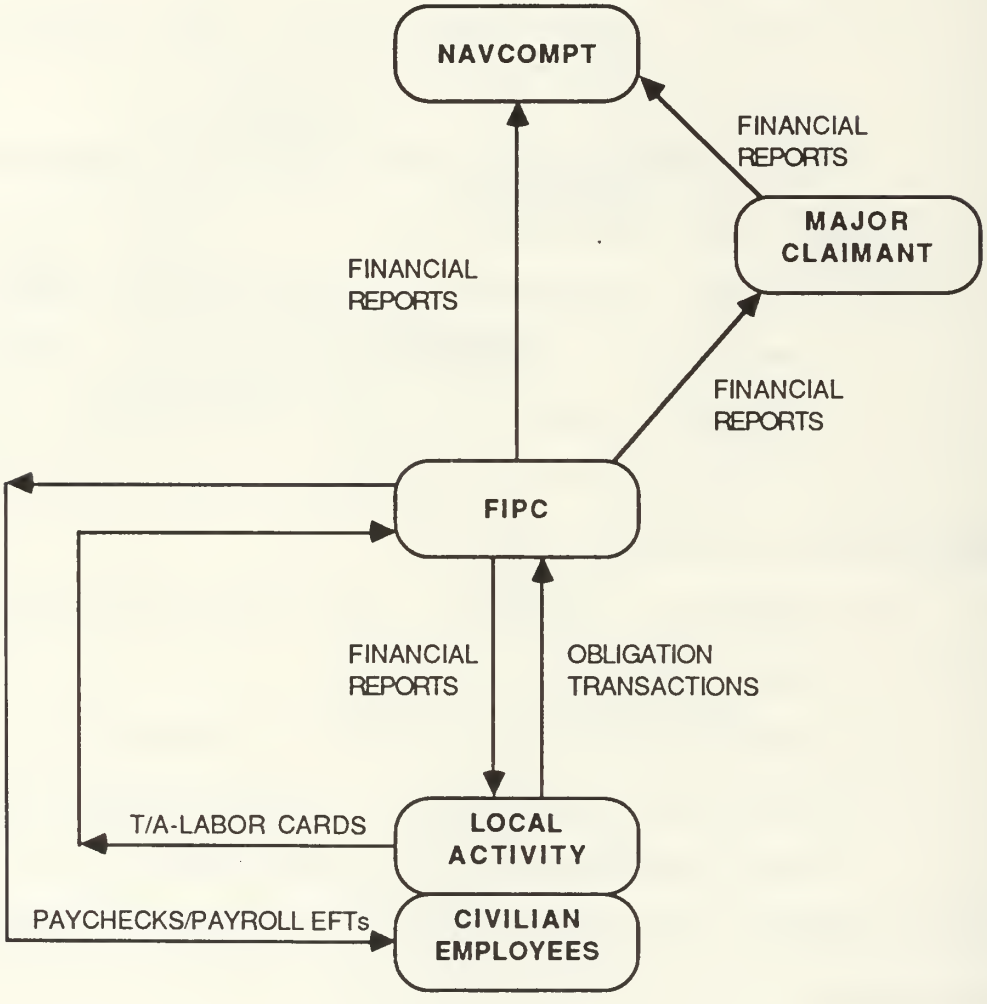
b. Improve the flow of financial information.

c. Minimize reconciliations and the distribution of hard copy documentation. [Ref. 11].

Figure 2 depicts the flow of financial information under the IDA concept.

Under IDA the NRFCs and AAAs have been replaced by a single organization, the Financial Information Processing Center (FIPC). To date, 15 such centers have been designated and placed in operation to provide regional

IDA Flow of Financial Information



(Figure 2)

support to customer activities. Although customer activities receive accounting support, IDA concepts are claimant oriented. The accounting information produced by IDA systems is intended to support financial decisions by the claimant rather than decisions at the activity level. This orientation may further the need for memorandum accounting systems. As a project to create a centralized, standardized Navy accounting system that supports all levels of management, IDA may have fallen short with respect to the needs of local activities. The relationship between MTP and official accounting systems strengthens this perception.

Underlying the attainment of IDA goals are the functional objectives of the hardware and software systems being developed. These objectives include the creation of a single, uniform accounting data base management system within the Department of the Navy and a data network between user activities, FIPCs, and NAVCOMPT. The data network is intended to eliminate the need for hard copy and reduce time lags in transferring financial information. It was also intended to eliminate the need for local memorandum accounting systems.

2. FIPC and Local Activity Input/Output Process Related to MTP

One source document for recording local activity payroll cost information is a time and attendance (T/A) card for each employee. The T/A card is an official document generated by the supporting FIPC out of a file that contains

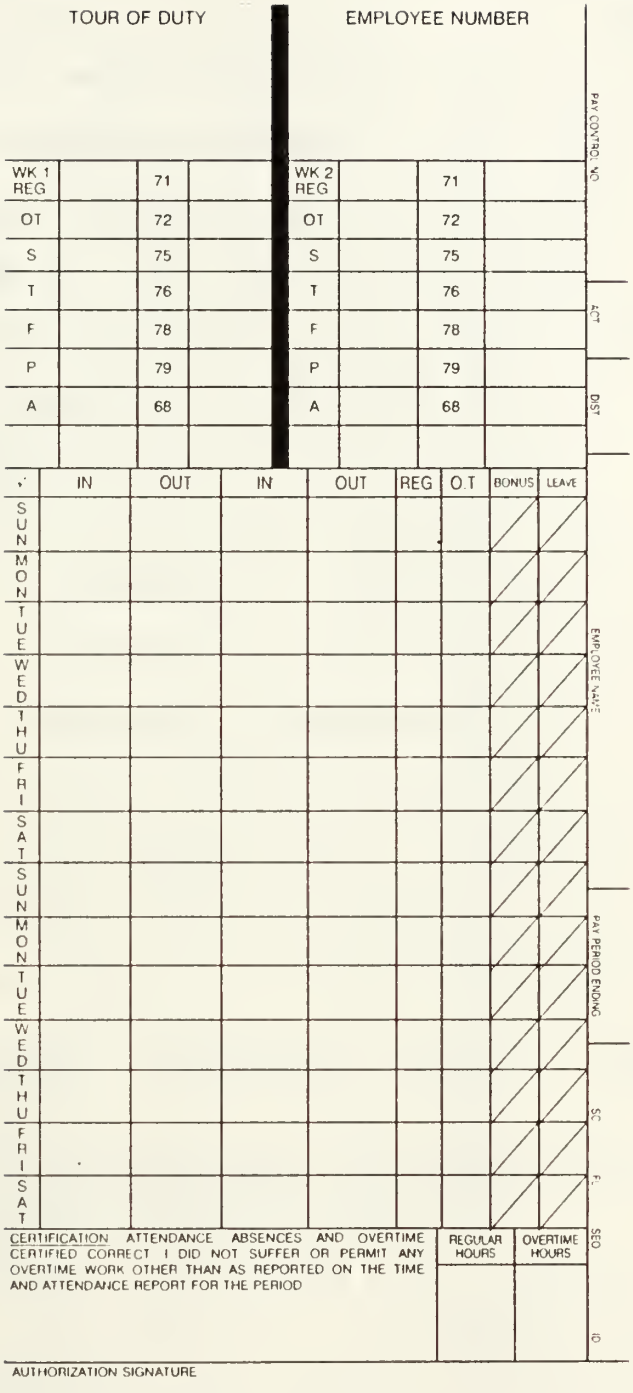
employee records for each activity. Each two-week pay period is covered by a time card that contains the employee's name and payroll number. A home job order number (JON)[4] is related to each employee in the FIPC file. Labor costs are automatically allocated to the home JON unless allocation to other JONs is more appropriate. Labor cards are then used on an exception basis to allocate costs to other than home JONs. The labor and T/A cards are submitted together for a specific pay period. Examples of T/A and labor cards are displayed in Exhibits 1 and 2.

Activities are to receive the T/A cards by the beginning of the associated pay period. These cards are then distributed to the activity's cost centers for recording of current pay period time and attendance information. This information is used to compute the Object Class 11 payroll costs mentioned earlier.

T/A and labor cards are returned to the FIPC for data entry into the official accounting system where payroll costs are computed and recorded, and paychecks are generated and distributed to the activity's employees. Official

---

[4] Job order numbers are used to support the accumulation of cost data for reporting purposes. They identify funds usage by cost center and purpose, serving as cost coding elements within the Navy's cost accounting system. Home job order numbers are those primarily used by an employee with a stable job function (e.g., a budget analyst performing administrative support as opposed to a shipyard welder performing jobs on various ships and systems undergoing repairs for various reasons). Cost centers are department work center subdivisions under the cognizance of a single line manager.



TOUR OF DUTY

EMPLOYEE NUMBER

PAY CONTRO. NO.

WK 1 REG		71		WK 2 REG		71	
OT		72		OT		72	
S		75		S		75	
T		76		T		76	
F		78		F		78	
P		79		P		79	
A		68		A		68	

ACT

DIST

	IN	OUT	IN	OUT	REG	O.T	BONUS	LEAVE
SUN								
MON								
TUE								
WED								
THU								
FRI								
SAT								
SUN								
MON								
TUE								
WED								
THU								
FRI								
SAT								

EMPLOYEE NAME

PAY PERIOD ENDING

SOC

F.

SEQ

ID

CERTIFICATION ATTENDANCE ABSENCES AND OVERTIME CERTIFIED CORRECT I DID NOT SUFFER OR PERMIT ANY OVERTIME WORK OTHER THAN AS REPORTED ON THE TIME AND ATTENDANCE REPORT FOR THE PERIOD

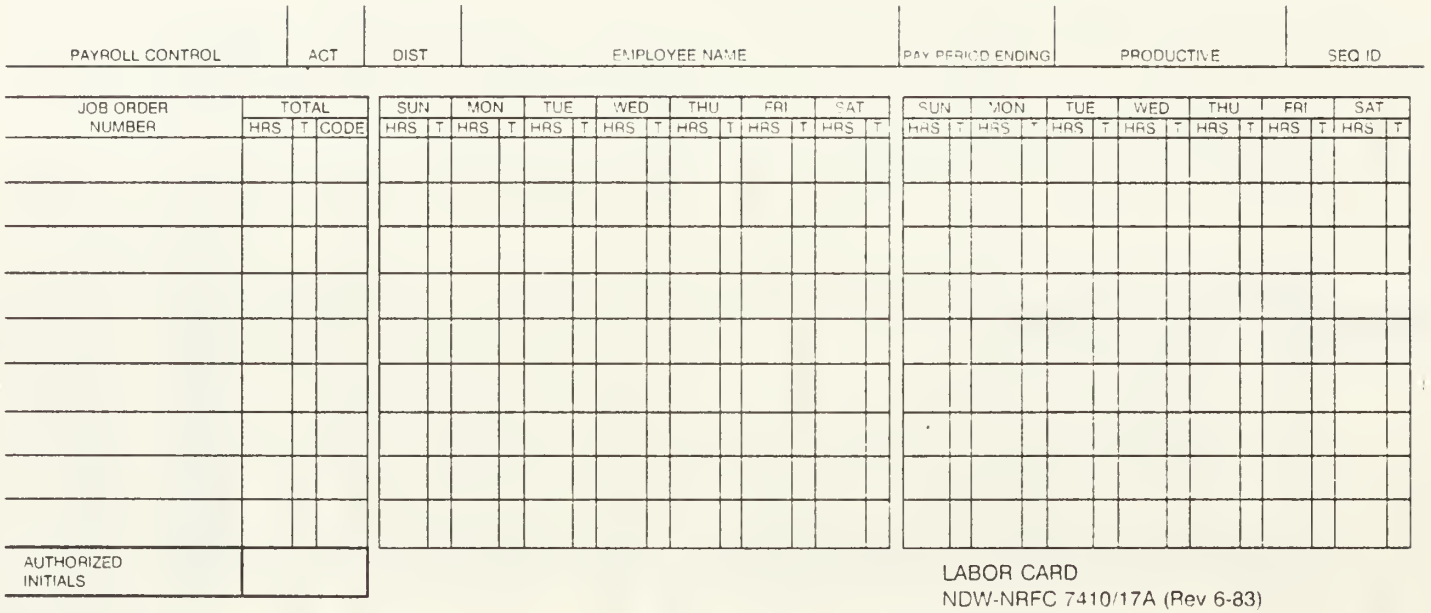
REGULAR HOURS

OVERTIME HOURS

AUTHORIZATION SIGNATURE

TIME CARD NDW-NRFC 7410/17 (Rev 6-83)

(Exhibit 1)



PAYROLL CONTROL	ACT	DIST	EMPLOYEE NAME	PAY PERIOD ENDING	PRODUCTIVE	SEQ ID

JOB ORDER NUMBER	TOTAL			SUN		MON		TUE		WED		THU		FRI		SAT		SUN		MON		TUE		WED		THU		FRI		SAT	
	HRS	T	CODE	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T	HRS	T
AUTHORIZED INITIALS																															

LABOR CARD
NDW-NRFC 7410/17A (Rev 6-83)

(Exhibit 2)

reports are also generated out of this process and forwarded to the activity for its legal records and management purposes. The activity's major claimant also receives copies for information purposes.

Despite implementation of IDA concepts, the official accounting system, in its present state, is unable to support the local activity's requirements with regards to MTP. Interviews with numerous activity comptrollers disclosed two reasons for this:

a. The time lag between incurring payroll obligations and receipt of official reports that contain this information is still too long for the information to be valuable (i.e., the data is not timely).

b. The official reports are not in a format that is easily used by line managers (i.e., the data is not valuable because it lacks clarity). Examples of the reports generated by the FIPC are contained in Appendix C.

D. THE MEMORANDUM ACCOUNTING SYSTEM: THE NEEDS AND IMPLICATIONS

1. Centralized Accounting Information Fails to Support Decentralized Decision Making

For official accounting system data to be valuable in supporting MTP objectives it must meet three criteria: timeliness, accuracy, and clarity. Although IDA in its present state has somewhat improved the accuracy of this information, the timeliness and clarity issues remain. Local activity comptrollers have devised solutions to these

problems in an attempt to support line managers in executing payroll budgets. These solutions most often take the form of a memorandum accounting system.

The decentralized aspect of decision making inherent in MTP is characterized by the need for data that meets all three criteria above. Memorandum accounting systems seek to provide line managers the same data as the official system and in a manner that meets the criteria of timeliness and clarity. Also, despite improvements in the accuracy of official systems, processing errors by the FIPC are perceived to be frequent and large enough to justify the memorandum system as a check on the accuracy of the official records. There is still a need to improve the credibility (accuracy) of the FIPC generated reports.

The information from T/A and labor cards may be input into a locally managed data base before these cards are returned to the FIPC at the end of a pay period. This method of generating a local data base is highly labor intensive, although it provides the most timely source of payroll cost information.

Other activities use the payroll file generated by the FIPC after the T/A and labor cards have been fed into the official accounting system. This file is available approximately two weeks after the end of a pay period and two to three weeks prior to receipt of official reports. This file is then processed into a local data base to

generate custom reports for line managers. The result is a timeliness compromise between the previous labor intensive method and the use of official reports. Since FIPC processed data (vice raw data) is used in this local MIS, the ability to check the accuracy of the official records is greatly diminished.

In both cases, the local data bases are used to generate customized reports that provide line managers with timely, clear status of payroll costs incurred - the results of previous decisions regarding labor force structure and utilization. The memorandum systems provide the line manager with the data necessary to effectively "manage to payroll." This data also serves to document the performance of budget execution responsibilities associated with MTP.

2. The Implications of Memorandum Accounting Systems

The effectiveness of locally developed memorandum accounting systems in collecting and disseminating payroll cost information varies from system to system. There are numerous implications in the use of these systems to satisfy Navy-wide MTP objectives.

> Reliance is placed on unofficial systems and memorandum records for essential financial information that can not be obtained accurately or on a timely basis from official systems. This results in duplication of accounting functions and reporting. It also results in the danger that key decisions may be made on information supplied by systems that have not been reviewed for adequacy of controls that insure reliable reporting.

> The systems are special purpose and can not be integrated with official accounting systems.
>
> Decentralized system design and operation is expensive and inefficient. [Ref. 10].

Furthermore, it has been noted that the memorandum systems are almost always end-user designed and maintained. This means that someone within the local comptroller's organization that happens to possess the necessary skills and motivation is usually tasked with system design and maintenance. This tasking is a new requirement associated with MTP. Since few, if any, local comptroller organizations are staffed by MIS specialists, the tasking is executed by someone whose primary duties have nothing to do with the task of designing and maintaining the memorandum system. The cost of detracting from this person's primary duties is another implication of the use of memorandum systems that must be considered.

III. THE NPS MEMORANDUM ACCOUNTING SYSTEM

The justification for memorandum accounting systems existed before MTP. The inaccuracies of the official system prior to IDA required local comptrollers to maintain their own sets of account records for quality assurance purposes. The confidence placed in official records depended on the extent that balances in local and official records were in agreement. Large differences between the two signalled the need for an investigation into processing functions in order to verify the cause of the discrepancy.

Although official system accuracy has improved under IDA, the project is far from complete. The implementation phase of the standard software module, IDAFMS[5], has just begun and it may be many more years before the system as a whole can be considered mature and fully operational. (It has taken 10 years to complete the design phase and reach the current state of implementation.) Until then, local comptrollers will continue to feel a need to back up the official system with memorandum records.

---

[5] Different versions of the standard system exist as the result of the evolutionary design process involved in a project the size of IDA. IDAFMS (Integrated Disbursing and Accounting Financial Management System) is the planned standardized software product intended for use at all Financial Information Processing Centers by the time the project is fully operational.

MTP provides further, immediate justification for local accounting systems that may outlive the official system's fully operational ability to provide accurate data to managers. The timeliness problem is likely to be overcome as the official system network becomes a reality. Whether the official system can provide line managers with information that is meaningful and useful (i.e., meets the clarity criterion of valuable information) remains uncertain. Chapter V will discuss this issue in greater detail.

This chapter addresses the following aspects of the memorandum accounting system for payroll costs in place at the Naval Postgraduate School (NPS), Monterey:

-- System description.

-- System operation and information flow.

-- Transformation of payroll cost data into management reports.

A. SYSTEM DESCRIPTION

1. Hardware, Software, and Data Files

Four separate stand alone personal computers (Zenith Model-248) are used to maintain data files and generate MTP reports. A single file structure exists to record payroll and cost data. The current file is designated LABOR89. Three of the PCs contain this same file structure to separately record individual employee payroll and labor costs for each pay period during a fiscal year. The result

is the use of three separate LABOR89 files to accumulate cost data for this activity. Figure 3 displays the LABOR89 file structure.

A second file, the EMPLOYEE file, is used for input validation and storage of constant data related to each employee. The constant data, such as grade and hourly rates, are used in the generation of detailed reports where cost computations are required (these detailed reports support the production of the line manager MTP report). Figure 4 displays the EMPLOYEE file structure.

The work force is segregated under line managers and by departments and cost centers under each line manager. Figure 5 displays the organizational structure at NPS. Each of the 3 PCs has a separate operator responsible for recording payroll and labor data for a specific line manager's employees. A commercially available data base application, "D-Base III Plus," is used to maintain the LABOR89 files and generate the detailed reports for each pay period. Samples of the detailed reports are contained in Appendix D.

The fourth PC is used to generate summary reports. These are the MTP reports that are intended to provide line managers with timely, accurate, clear data reflecting payroll costs incurred to date. These reports are intended to provide the feedback necessary to evaluate the impact of prior labor mix and utilization decisions. The MTP reports

LABOR89 FILE STRUCTURE

FIELD	FIELD NAME	FIELD WIDTH
1	Name	25
2	Employee Number	10
3	Department	4
4	Cost Account Code	2
5	Subfunctional Category	2
6	Distribution Code	4
7	Subactivity Group	2
8	Funds	2
9	Hourly Rate	6
10	Overtime	6
11	Overtime JON	5
12	Regular Hours	6
13	Regular Amount	8
14	Overtime Hours	6
15	Overtime Amount	8
16	Annual Leave Hours	6
17	Annual Leave Amount	8
18	Sick Leave JON	5
19	Sick Leave Hours	6
20	Sick Leave Amount	8
21	Holiday Hours	6
22	Holiday Amount	8
23	Night Differential Hours	6
24	Night Differential Amount	8
25	Sunday Differential Hours	6
26	Sunday Differential Amount	8
27	Holiday Pay Hours	6
28	Holiday Pay Amount	8
29	Compensation Hours Earned	6
30	Compensation Amount Earned	8
31	Pay Period Hours	6
32	Pay Period Amount	8
33	Lump Sum Hours	6
34	Lump Sum Amount	8
35	Retroactive Pay	8
36	Pay Period Ending	8
37	Grade and Step	8
38	Compensation Hours Taken	6
39	Compensation Amount Taken	8
40	Total Hours	8
41	Regular (Home) JON	5
42	Holiday JON	5
43	Annual Leave JON	5
44	Miscellaneous JON	5
45	Miscellaneous Hours	6
46	Miscellaneous Amount	8

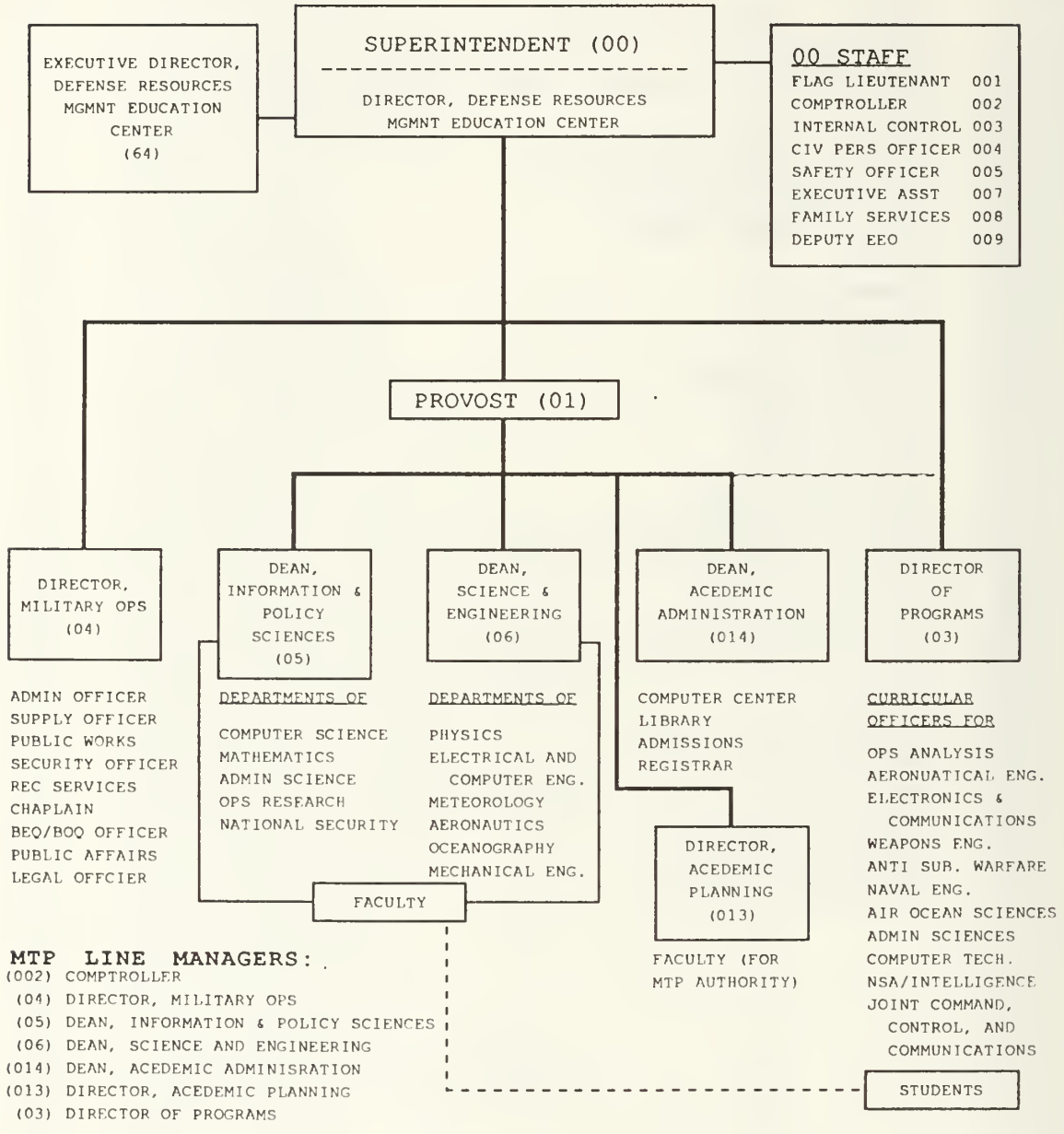
(Figure 3)

EMPLOYEE FILE STRUCTURE

FIELD	FIELD NAME	FIELD WIDTH
1	Name	25
2	Social Security Number	11
3	Department	4
4	Unit Identification Code	5
5	Title	21
6	Cost Account Code	2
7	Subfunctional Category	2
8	Distribution Code	4
9	Subactivity Group	2
10	Funds	2
11	Tenure	4
12	Temporary	8
13	Status	3
14	Grade and Step	8
15	Hourly Rate	6
16	Daily Rate	7
17	Annual Rate	6
18	Overtime Rate	6
19	Leave Without Pay	8
20	Returning from Leave Without Pay	1
21	On Board Date	8
22	Sick Leave JON	5
23	Occupational Series	4
24	Annuitant	1
25	Award	7
26	Termination Date	8
27	Remarks	50
28	Home JON	5
29	Annual Leave JON	5
30	Holiday JON	5
31	Employee Number	10

(Figure 4)

NAVAL POSTGRADUATE SCHOOL
ORGANIZATION



(Figure 5)

should also let line managers know where they stand to support future labor mix and utilization decisions.

Data from the detailed reports is manually transferred to the fourth PC. Another operator using a commercial spreadsheet application, "Supercalc," aggregates cost center data from the detail reports. The MTP report is a cost center summary of object class 11 labor costs by category of OM&N funds (e.g., mission, base operating services, or maintenance of real property) and by purpose within category (subactivity group or SAG). A sample MTP report is contained in Figure 6. Subactivity groups (SAGs) used at NPS are defined in Figure 7.

2. Scope of Information Management

The comptroller's data base covers all NPS civilian employees outside of the Public Works Department. This is approximately 850 employees. The Public Works Department maintains its own MIS for recording and tracking labor and payroll costs. Their system is geared more toward job cost accounting, since numerous job orders are used by each employee each pay period. Information from the Public Works Department detailed reports is also transferred into the "Supercalc" spreadsheet so that summary MTP reports can be generated for this department and so that overall activity totals may be computed.

Within the comptroller's MIS a new record is added to the LABOR89 files for each employee for each pay period.

LABOR COSTS BY CATEGORY AND FUNDS
10/1/88-5/28/89 165 DAYS THRU QTR 3 = .346
165 DAYS THRU FY = .635

MANAGER: 814

MANAGING TO PAYROLL REPORT

FUNDS	SAG	HOURS	COST	LEAVE HOURS	LEAVE COST	HOLIDAY HOURS	HOLIDAY COST	OVERTIME HOURS	OVERTIME COST	NIGHT DIFF COST	SUNDAY DIFF COST	HOLIDAY PP COST	PREM PAY FIRE COST	AWARDS	TOTAL HOURS	STRAIGHT COST	*TOTAL TO DATE	TO DATE OBLG %	CUM THROUGH QTR 3 CONTROL	AUTH E/S	ON BOARD	AUTH M/Y	M/Y USED	ON TRACK M/Y
O&MN	MI	59952	995866	11882	135593	4259	52434	287	3244	5815	1886			2938	85428	1096968	1096968	.86	1277886	61	67	68	41.27	38.18
LSL	MI	426	6768												426	6768	6768						.28	
SUSPENSE	MI	66	427												66	427	427						.83	
O&MN TOTAL		70444	982261	11882	135593	4259	52434	287	3244	5815	1886			2938	85912	1184163	1184163	.86	1277886	61	67	68	41.38	38.18
													LESS REIM CREDIT				30312							
													DIRECT TOTAL				1073851	.84						
REIMB																								
FMS	MI	15143	151613					1	12	1892	1238				15144	154755	182845	.80	231444	15	12	14	7.28	8.89
FMS	FV	348	3043							176	78	278			348	3567	4115						.17	
TENANT	MI	1534	13746												1534	13746	16220	.80	28158	2	1	2	.74	1.27
TOTAL REIM		17025	168402					1	12	2068	1308	278			17026	172868	202380	.80	251682	17	13	16	8.19	10.16
													REIM CREDIT				30312							
TOTAL ALL		87469	1070663	11882	135593	4259	52434	288	3256	7883	3194	278		2938	102938	1276231	1276231	.83	1529488	78	80	76	49.49	48.26

(Figure 6)

NPS SUBACTIVITY GROUPS (SAGs)

MZ	Mission (labor associated with providing graduate education and conducting research)
FC	Utilities (labor associated with providing utilities)
FDPW	Engineering Support
FD/F	Other Engineering Support (labor associated with fire fighting capabilities)
FR	Other Base Services (primarily labor associated with transportation)
FN	Communications (labor associated with phone services, etc.)
FA	Maintenance of Real Property (labor for repairs)
FB	Maintenance of Real Property (labor for construction)
FF	Administration
FK	Other Personnel Support
FG	Retail Supply Operations
FL	Morale, Welfare, and Recreation
FV	Physical Security
FD	Grounds Maintenance
FJ	Bachelor Housing

(Figure 7)

By year end the three LABOR89 files will contain over 22,000records that require sorting in various ways to generate the detailed information used in the generation of MTP reports.

B. SYSTEM OPERATION AND INFORMATION FLOW

1. Source Documents

Time and attendance (T/A) and labor cards are used in recording each employee's payroll and labor cost information. T/A cards are used to record payroll data. Labor cards, which support cost accounting functions, are used on an exception basis only, when payroll costs need to be allocated to a job order number (JON) other than an employee's home JON. IDAFMS automatically matches T/A card data to an employee's home JON when payroll processing is done at the FIPC. JONs describe the purpose of the productive effort (i.e., SAG) and the cost center that consumed the productive resources (in the case of MTP that resource is labor). Both cards are used as primary source documents for the LABOR89 database.

The T/A cards are official documents in the sense that they are produced out of official employee records by the supporting FIPC.[6] The cards are pre-punched with

---

[6] NPS is serviced by FIPC, Washington, D. C. The Chief of Naval Operations (CNO) is the major claimant for NPS. The proximity of the CNO and FIPC in Washington, D. C. resulted in this arrangement (vice having NPS serviced by a regional FIPC such as the one in Oakland, California).

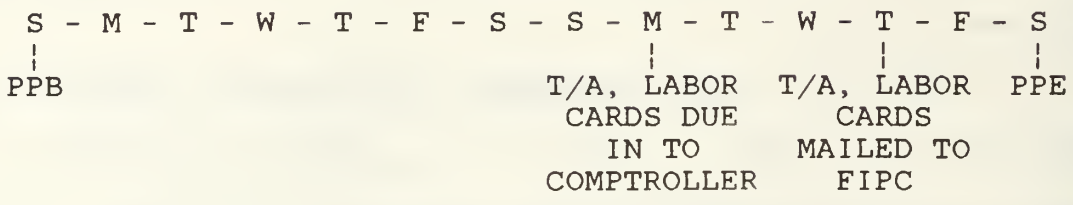
employee names and payroll numbers. Besides recording payroll and labor cost information, the use of the T/A card serves as a control by validating that only bona fide employees are paid.

NPS uses the designated timekeeper method for completing T/A cards. Each cost center designates one person (in writing) per division (sub-cost center) to record each employee's time and attendance as well as how that time was allocated to various JONs. The allocation to JONs is based on either employee input or the input of a supervisor for a group of employees.

2. Sequence of Events

The T/A cards are received from the FIPC prior to the start of a pay period. The cards are then distributed to designated timekeepers for recording information as the pay period progresses. Pay periods are two weeks in length, starting on a Sunday and ending on the second following Saturday. The T/A and labor cards must be returned to the FIPC for payroll computations and input of labor cost data to the official accounting system no later than 0900 on the first Monday following the end of a pay period. T/A and labor cards are express-mailed on Thursday to accomplish this. To allow time for manual key entry of payroll and labor cost data to the local MIS, the T/A and labor cards are due in the comptroller's department on the first Monday prior to the end of the pay period. The following schematic

illustrates the sequence of events for a single pay period at NPS.[7]



Since the T/A and labor cards are due in from the cost centers to the comptroller on Monday, employees and designated time keepers are required to predict the last six days of time and attendance (as well as allocations to JONs). These six days can be broken down as follows: three days to support data entry into the local MIS, 2 days to support delivery to the FIPC, and one day to support arrival of the cards at the FIPC immediately after the pay period ends.

Any differences between predictions and actual time and attendance (and productive effort) is corrected by the use of supplemental T/A and labor cards. Given that there are six days for differences to occur, the use of supplemental cards can be significant. These are generated by the cost centers and routed through the comptroller (to correct the original local MIS entry) and then sent to FIPC

---

[7] In the schematic PPB and PPE are used to designate Pay Period Beginning and Pay Period Ending respectively.

to correct the official accounting records and/or payroll computations.

C. GENERATION OF MANAGEMENT REPORTS

Underlying the "D-Base Plus III" application are numerous program files to control the manipulation of the LABOR89 file data. Approximately 80 such programs (averaging 70 to 100 lines of code each) were written to control the operation of the MIS. These programs were written by one of the NPS comptroller's budget analysts - a person capable of tailoring "D-Base III Plus" to the needs of a local MIS but not hired or paid for this purpose. The NPS system is totally end-user designed as a matter of necessity. Resources to fund external design and maintenance have not been available, nor has assistance been available from the NPS computer center, which is dedicated to student education and research [Ref. 12].

The primary purpose of the programs is to sort and summarize the file data in order to generate the labor cost detail reports used as a basis for the line manager MTP reports. Numerous other reports have also been designed based on cost center requests for the presentation of data that backs up the line manager MTP reports. Approximately 35 report formats exist in the local MIS, nearly half of these the result of cost center requests. These tailored reports are only generated when requested by cost centers.

The program files are also used to control the on screen menus and input screen format seen by the operators while keying in T/A data and while generating reports. Numerous screen format files exist to accomplish this purpose.

The detail reports out of the "D-Base III Plus" LABOR89 file are generated after data entry of all T/A and labor card information to the MIS. Due to the size of this file by mid-year (over 11,000 records), it takes one full work day to generate the detail reports. The hard copy of these reports is analyzed and selected information is transferred to the spreadsheet application "Supercalc" to generate the end product, the line manager MTP report. This occurs two to three working days after the end of a pay period.

The line manager MTP report reflects Object Class 11 costs only. Object Class 12 costs (fringe benefits associated with regular labor costs) are managed on an overall activity level by the comptroller. The comptroller accelerates the line manager Object Class 11 budget requests to determine the activity's overall payroll budget request. The comptroller is also responsible for the expenditure of Object Class 12 funds. These are not addressed in the MTP reports nor were they included under MTP as a resource management policy.

If input and processing problems have been sufficiently minimized, line managers are provided valuable decision making information - information that is timely, accurate,

and clear. Line managers are thus able to see the results of prior labor mix and utilization decisions and have a basis for future decisions of the same nature. At the same time, the comptroller has information available to validate the accuracy of official accounting system reports.

IV. EVALUATING THE NPS MEMORANDUM ACCOUNTING SYSTEM

Memorandum accounting systems exist for two reasons. First, they provide a basis for validating official accounting system data. Second, they are a source of management information at the activity level. The NPS memorandum accounting system for recording payroll costs is an example of such a system. It provides the comptroller a method of reconciliation with the official system and supports line manager payroll budget execution under MTP. This chapter will evaluate the second role of the memorandum accounting system at NPS: the provision of decision making information to line managers. Broad recommendations that would improve the present system will be offered for consideration.

MTP is a labor resource management policy. It can only be as effective as the mechanisms that support the policy's objectives. These objectives include the appropriate funding of authorized work and the performance of that work within the budget authority provided. The provision of decision making information to support line manager budget execution is critical to the effectiveness of MTP. Therefore, this chapter will also consider the impact that this function has on the long range effectiveness of MTP throughout the Department of the Navy. Issues other than

information processing requirements at NPS will also be discussed.

A. DISSEMINATING VALUABLE INFORMATION TO NPS LINE MANAGERS

The NPS system attempts to satisfy local information requirements that the official accounting system does not. The criteria used to assess the value of decision making information will be used in evaluating the NPS system. These criteria involve the timeliness, accuracy, and clarity of information.

1. Timeliness

The NPS system is capable of providing very timely data to line managers. Information from the official accounting system arrives as much as six weeks after the end of a pay period, often too late to be of any value in labor mix and utilization decisions. The local system is able to disseminate labor cost information to line managers in 3 to 4 working days after the end of a pay period. This supports decision making and meets the criterion of timeliness.

Drawbacks to the local system's timeliness exist, however. The method of recording labor cost data is somewhat labor intensive. Also, the processing of information to generate reports out of the D-Base III Plus files takes longer as the year progresses. This is due to the expansion of the LABOR89 data base as new records are added for each employee each pay period. It takes about

eight hours to generate detailed reports for one pay period by the middle of the fiscal year.

The efficiency with which the final MTP report is generated is further impeded by the use of a second software application - Supercalc - rather than generating the line manager's report directly out of D-Base III Plus. It takes another day to manually analyze the D-Base reports, transfer this information to Supercalc, and produce the final MTP reports.

2. Accuracy

The need to validate the correctness of official system information serves as primary justification for the local system. However, the local system's accuracy has not been formally evaluated. The numbers in official and local reports may agree, but this does not rule out the possibility that both sets of reports may be in error. The unproven accuracy of locally designed and operated memorandum systems has been sighted as a major deficiency of such systems [Ref. 10].

Demonstrated processing problems exist in the NPS system. Identical reports run back-to-back against the same data file, using the same sort parameters, have produced different summary totals. This problem is dealt with by the budget analyst responsible for extracting data from the D-Base detailed reports. A reasonable range for pay period totals has been established based on the experience of the

analyst. Totals outside of this range signal the need for regeneration of the detailed reports until totals inside the established range are obtained. Specific changes to records in the LABOR89 file are not involved. This method of error detection and correction does not result in absolute accuracy. It results in a level of accuracy that is considered sufficient by the comptroller's department and most line managers.

Besides the local system processing errors, the quality of the data on source documents also impacts the accuracy of the MTP reports. NPS cost accounting requirements are extremely complex. This complexity is driven by the numerous ways the activity uses and is required to account for its funds. The more varied the uses and the more detailed the accounting requirements, the greater the likelihood for error in encoding information on source documents.

Local system transposition requirements are also significant and further inhibit the accuracy of the final MTP reports. Information from T/A and labor cards must be hand keyed into the D-Base files for each employee each pay period. The opportunity for additional mistakes exists in the manual transfer of data from the D-Base reports to the Supercalc application.

The final factor inhibiting output accuracy is the requirement to estimate time and attendance and labor

allocations during the last six days of the pay period. This is to support key entry to the local system and express-mail delivery of source documents to the FIPC by the established deadline. This necessitates the use of supplemental cards when estimates prove to be in error. The requirement for processing additional source documents increases the opportunity for errors.

Some of these factors - cost accounting requirements and key entry from manually generated source documents - are beyond the local activities control.. These outside factors may preclude local activity design and maintenance of an effective memorandum accounting system.

Although factors inhibiting accuracy are recognizable, the degree of the local system's accuracy could not be assessed. It is likely that the local system is more accurate than the immature, evolving IDA system. Again, however, the degree of accuracy is unproven. At most it can be said that the local system provides sufficiently accurate information - information that raises line manager awareness of the costs associated with labor mix and utilization decisions.

3. Clarity

In support of MTP the comptroller is responsible for encoding and transmitting labor cost data in such a way that line managers can understand it. The clarity criterion involves a communication question. How clearly do the MTP

reports communicate to line managers the information that supports labor force mix and utilization decisions? Comptrollers, like accountants, are responsible for selecting and observing events and producing statements about them [Ref. 13]. This process, called accounting, has always had communication as an objective [Ref. 14]. However,

> ...communication occurs in financial reporting only if the meanings intended by the information source are assigned to the financial statement messages by the destination. Proper meaning assignment necessitates that the information source encode and transmit the selected messages such that the destination is capable of assigning the intended meanings [Ref. 15].

Communication between comptrollers and line mangers regarding payroll budget execution involves more than the production of MTP reports by the comptroller. Line managers are responsible for possessing necessary skills (i.e., knowledge of local accounting codes) as well as an ability to use relevant analytical tools. The comptroller is largely responsible for ensuring that line managers possess these skills and abilities by conducting training and by providing instructions to line managers. Line managers have a responsibility to make use of MTP reports and to call attention to problems they have in understanding the purpose or content of the reports.

Assessing the clarity, or readability, of financial reports is a difficult task. Existing literature addresses

attempts to measure readability only as it relates to the notes to financial statements and not the general body of the reports [Ref. 15]. Text samples of 100 words are evaluated using various formulas that attempt to quantify comprehension. Formal methods to evaluate the body of financial reports (i.e., the presentation of numerical data) have not been developed. Thus, an evaluation of the readability of MTP reports used at NPS is necessarily subjective.

Line managers were interviewed to gauge their understanding of the purpose and content of the reports. Their responses support the conclusion that the purpose and content of the MTP reports are sufficiently clear to provide a basis for labor mix and utilization decisions.

4. Summary of the NPS Memorandum System Evaluation

The NPS system was not evaluated on a cost-benefit basis but only on the basis of its ability to provide line managers with valuable decision making information. The results of this evaluation are summarized as follows.

-- **Timeliness**: The system provides very current data. However, the methods to support data currency are labor intensive. While automated time keeping systems that input directly to a local MIS are feasible it is beyond the local activity's control to acquire and implement such a system. The following changes are recommended to support more efficient data management in the present system:

a. Reduce the number of fields in the LABOR89 file structure. There are approximately 14 duplicate fields in the LABOR89 and EMPLOYEE files. Also, the D-Base users manual recommends limiting the number of fields in a file to 21 to support efficient processing. The LABOR89 file has nearly double this number. This reduction in fields could significantly reduce the time required to produce the detailed reports.

b. Maintain cumulative pay records instead of a separate pay record for each pay period. This would fix the number of records to be processed during report generation to the size of the labor force throughout the year and significantly reduce the time involved in generating reports.

c. Generate MTP reports directly out of the LABOR89 file instead of manually transferring data to a second application to obtain the final reports.

-- **Accuracy**: This could not be objectively assessed, although the system appears to satisfy the information needs of most line managers. At the very least, line managers are more aware of the cost impact of their decisions.

Complex cost accounting requirements that affect the quality of information on source documents are beyond the local activity's control. When improperly allocated labor costs are input to the system the result may be that the MTP

report is no longer useful. Line managers failing to detect these types of errors are likely to make decisions based on bad information. The present system offers little quality control over the recording of source data. It is not clear if a job order number dictionary could be incorporated in the present system or if other methods could be implemented to prevent the improper allocation of labor costs.

D-Base IV, a new version of the data base software currently in use, is now available. This version has reportedly corrected the processing errors associated with inconsistent report totals. It is recommended that D-Base IV be obtained to replace the existing version.

-- **Clarity**: MTP reports are sufficiently clear (readable) to provide a basis for labor mix and utilization decisions. The reports do, however, contain end-strength controls (authorized versus actual). SECNAVINST 12510.9 explicitly states that under MTP all previous labor resource controls, including end-strengths, will no longer be used by local activities [Ref. 2]. The only constraint intended under MTP is payroll budget authority (dollars). The inclusion of this additional control detracts from the reports purpose and content as originally intended under MTP. The impact of the continued use of end-strength controls will be discussed in more detail later.

-- **Conclusion**: The NPS memorandum accounting system provides information of adequate value to line managers;

therefore it supports the objectives of MTP. Line managers have a basis for labor mix and utilization decisions relevant to payroll budget execution. While the system is not optimal, it is adequate.

B. THE IMPACT OF LOCAL MIS DESIGN ON THE FUTURE OF MTP

Numerous activities were queried to determine the extent of local activity (i.e., end-user) management information system design to support MTP. In general, the larger the activity the more likely it was to have contracted for the design and maintenance of software to support the local system. Activities equivalent in size to or smaller than NPS possessed end-user designed systems or had no system at all.

Larger activities receiving contractual design and maintenance support were highly satisfied with the quality of their systems. Smaller activities, such as NPS, felt reasonably confident in their ability to support line managers under MTP.

Given the adequacy of the NPS system and the perceptions of other activities with end-user designed systems, it appears that local responsibility for these systems will have little impact on the future of MTP. Local activity responsibility results in at least adequate systems. A cost-benefit approach would be required to determine if something more than an adequate MIS (e.g., standardized on-line support via IDAFMS) is desirable.

C. OTHER ISSUES

Other issues that impact the future of MTP to a greater extent than local responsibility for MIS design are 1) job classification and 2) the continued use of end-strength controls. A short discussion of each follows.

1. Job Classification Issues

The delegation of classification authority to line managers is considered critical to support optimal labor force structuring within budget constraints. The Planning Board at NPS voted against this delegation of authority in its implementation of MTP. Line managers did not want the authority, primarily because they did not feel qualified to exercise it [Ref. 16].

Although the CPO retained classification authority, line managers did not feel this inhibited their ability to function under MTP. NPS is relatively small in size and a significant portion of the work force is exempt from the classification process (the faculty). This has enabled a highly cooperative relationship to develop between managers and the CPO. Job classification is more a process of mutual consent rather than the exercise of final authority by the CPO. Larger activities would probably find it difficult to operate under this arrangement without adversely effecting control over labor resources.

It is significant that line managers did not feel qualified to assume classification authority. This

highlights the complexity of the classification process. Appropriate training mechanisms need to be in place to support consistent and accurate classification at activities that have delegated this authority. Training programs should be ongoing and developmental to allow line managers to keep pace with the changes in the classification system. Training should not be a one-time affair only to get line managers started under MTP. Inconsistent classification of jobs by different managers at the same activity could create bigger problems than MTP seeks to solve.

2. **Continued Use of End-strength Controls**

The use of end-strength controls at NPS is perceived to have a negative impact on the clarity of the MTP report. Line managers at NPS feel that the end-strength control detracts from the purpose of the MTP report as well as the effectiveness of MTP as a resource management policy. In effect, budget authority under MTP is perceived as an additional constraint (in addition to end-strength) rather than a stand-alone constraint to permit greater flexibility on the part of managers. The end-strength control contradicts the flexibility offered by MTP, whereby managers are free to choose their own end-strength, so long as they do not exceed budget authority.

It must be recognized that end-strength controls are still considered the primary method of budgeting for labor costs at the highest levels in the Department of the Navy.

This takes place during the final stages of DON budget formulation. End-strength numbers are used to justify budget requests to Congress. The use of end-strength at this level continues to carry down to local activities.

There is an expectation on an activity head's part that the activity is still required to comply with end-strength controls. There is also a perception that DON top management (e.g., NAVCOMPT) still desires compliance with end-strength limits. The result has been a very slow and inhibited transition to MTP as it was originally intended. NPS line managers are not seeing the original version of MTP. Some are less than optimistic about MTP in its present form (an additional constraint).

Additionally, some still feel subjected to the unwritten "use it or lose it" rule of budget execution-that they must spend no more, and no less, than their payroll budget authority or be subject to reductions the following year. By itself, MTP allows managers the flexibility to spend less than their payroll authority if they feel funds could more effectively be spent elsewhere (such as on training or equipment).

It is critical to the success of MTP that the policy be implemented 100% and on a stand-alone basis. The intended message - spend less than or equal to one's payroll authority - can then be taken seriously. The use of controls other than budget authority only dilutes the

effectiveness of MTP. Viewed simply as an additional constraint, MTP will not achieve the management support necessary for its success.

Granted, end-strength controls are imposed on the Department of the Navy from above. But the Navy must find ways to shelter the potential benefits of MTP from the negative impact of contradictory controls [Ref. 17]. By properly presenting MTP and by training (selling) managers on its benefits, major claimants and local activities can greatly improve the effectiveness of this policy.

V. FUTURE INFORMATION SYSTEMS AND MTP

In theory MTP should allow the Department of the Navy to manage its labor resources to the extent that an environment of diminished funding will require. The transition to MTP must be completed before the full potential of this relatively young policy can be realized.

Although a continued policy of local responsibility for information system design is not likely to threaten MTP's role as a long range fiscal tool, the issue bears further consideration. Specifically, the drawbacks of non-standardized, non-centralized memorandum systems should be considered in light of maturing IDA system capabilities. Local systems may be adequate, but is "adequate" good enough? With a mature IDA network between local activities and FIPCs as a foundation, will there be a need for local memorandum systems? The future may prove that memorandum systems are not only unnecessary but are also undesirable from cost-benefit and other perspectives. With IDA as a foundation, the development of additional software to support a standardized MIS for activity comptrollers should be considered.

At present IDA is heavily oriented toward major claimant financial management. A network between the FIPCs and local activities is planned but is intended only to facilitate

input data transmission to the FIPC and official report transmission to the activity. This should eliminate official system timeliness problems. And as the system matures it should also become sufficiently accurate. The major long term unknown involves the clarity of the official reports transmitted back to the activities. How readable (or usable) will the reports be to anyone outside of the comptroller's department?

Local activity down-load of processed input data from the FIPC data base is not contemplated at this time [Ref. 18]. Such a capability would serve as a first step in satisfying the constant desire of any manager to tailor the presentation of data for his or her own needs. Fourth generation software languages that facilitate this task already exist and require little technical expertise to use. The continued development of these languages should also make them more affordable.

The progression from a management information system to a decision support system would naturally follow. With IDA as a server for the centralized financial resource data bank, the issues of accessibility and manipulation are all that remain in the development of a standardized financial decision support system. Central design agents for the Navy Accounting and Finance Center can address the issue of accessibility. Local activities can use fourth generation languages to manipulate data as they desire.

A financial decision support system for use by local comptrollers would certainly enhance the effectiveness of line managers under MTP. By itself this would probably not justify the effort and cost of such a system. But the potential of such a system would extend beyond MTP, enhancing the control over all financial resources, not just labor dollars under MTP.

The previous paragraphs serve as a basis for future oriented questions regarding MTP and the mechanisms necessary to support its long term effectiveness. Other questions for future study which are related to this labor resource management policy follow.

-- Based on a significant sample of various activities, has the Navy demonstrated an ability to operate within payroll budget authority?

-- Can a correlation between payroll budget execution and MTP be established?

-- What are the causes of the ineffective transition from end-strength controls to payroll budget authority? Why do local activities continue to utilize end-strength controls?

-- Based on a survey of activity comptrollers, what would a financial decision support system that interfaces with IDA look like?

-- What can we learn from the development of decision support systems in the Department of the Navy acquisition field and how can this be applied to decision support systems for activity comptrollers?

-- To what degree are Navy software planning and design processes for financial information systems oriented toward local activities? How can this orientation be enhanced?

APPENDIX A

SECNAVINST 12510.9 OF AUGUST 26, 1986

SUBJECT:

DELEGATION OF POSITION CLASSIFICATION
AUTHORITY AND POSITION MANAGEMENT RESPONSIBILITIES
CONSISTENT WITH PAYROLL MANAGEMENT

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON D C 20350

SECNAVINST 12510.9
ASN(M&RA)/OCPM 11
26 August 1986

SECNAV INSTRUCTION 12510.9

From: Secretary of the Navy

Subj: DELEGATION OF POSITION CLASSIFICATION AUTHORITY AND POSITION MANAGEMENT RESPONSIBILITIES CONSISTENT WITH PAYROLL MANAGEMENT

Ref: (a) DOD Directive 1400.26 of 28 Jul 79
(b) Title 5, U. S. Code

1. Purpose. To redefine Department of the Navy (DON) policy and requirements on position management and to provide delegation of position classification authority to permit line managers to manage civilian resources consistent with associated budgetary funding levels.

2. Cancellation. SECNAVINST 5310.11D, SECNAVINST 12510.8, and CMMI 312 of 28 May 1969.

3. Applicability. Applies to all Department of the Navy (DON) civilian positions under the General Schedule and Federal Wage System for which the DON holds position classification authority. Activities, commands, and headquarters organizations may extend the coverage of this instruction to positions under other pay plans to the extent such application does not contravene requirements from outside DON. The authority for classification of positions covered under this instruction does not apply to the Senior Executive Service, to General Schedule positions above the grade of GS-15, Wage Marine positions, or to nonappropriated fund positions.

4. Discussion. Reference (a) established DOD policy on position management. This instruction initiates improvements within that policy, in the management of personnel resources by placing greater authority, incentive, and flexibility for the position classification and position management programs at appropriate management levels. It conveys the framework and delegations required to provide military and civilian line managers with the authority for establishing and classifying civilian positions, subject to the civilian payroll resources available to their organizations. The concurrent allocation of authorized payroll funding levels to line managers is consistent with the current emphasis within the Department of the Navy on managing civilian employment as an

element of cost which has been established in balance with funded programs at each stage of the Planning, Programming, and Budgeting System (PPBS).

5. Policy and Delegation

a. It is the policy of the Secretary that all positions and organizations be structured to achieve efficiency and economy in support of the mission of the organization. The delegation of position classification authority and authorized payroll funding levels to line managers provides greater responsibility and accountability for managing civilian employment as an element of cost. Inherent in this policy is the firm commitment to ensure that civilian positions are properly classified following the provisions of reference (b).

b. The authority to classify General Schedule positions at grades GS-1 through GS/GM-15, and Federal Wage System positions at grades defined in job grading standards issued by the Office of Personnel Management (OPM) or DON, is hereby delegated to the Chief of Naval Operations; the Commandant of the Marine Corps; the Chief of Naval Research; and the Assistant for Administration, Office of the Under Secretary of the Navy; and all subordinate commands and activities.

c. In exercising that delegated authority, military and civilian heads of activities are authorized and encouraged to redelegate this authority and associated civilian payroll funds to subordinate managers and supervisors at the lowest practicable level of supervision. Redelegation will be done under chain of command guidelines. Position classification authority may not be redelegated to line managers without commensurate suballocation of civilian payroll spending authority, and may not be exercised until appropriate training is completed.

d. Delegation of classification authority will usually be to at least one organizational level below the activity head/assistant activity head. When it is not practicable to redelegate to line managers and supervisors, classification authority may be redelegated to the Civilian Personnel Office servicing the activity.

e. The amount of funding available for civilian compensation is determined in the PPBS system. Civilian compensation is an identifiable category of costs displayed in the Department of the Navy Budget. In this context, civilian compensation minimally includes salaries, overtime, leave, and awards (Object Class 11 in the DON Budget). Based on the approved budget, civilian compensation figures by major claimant

at the appropriation or fund level (both direct funded and reimbursably funded) will form the baseline and provide maximum levels for distributing authorized payroll amounts to the lowest practicable level. Such allocation should be generally consistent with the program priorities reflected in the President's Budget. With managing to payroll, there will be no separate execution controls on work years, end strength, or on the number of high-grade positions. If end strength controls are applied to DON by higher authority, they will be allocated no lower than the major claimant level; lower allocations will be by payroll allocation, not by end strength.

f. Following the key elements of an effective position management program required in reference (a), it is DON policy that:

(1) Position management programs be designed to ensure efficient distribution of staff resources, and to aid in identifying, preventing, and eliminating unnecessary organizational fragmentation; excessive layering and use of deputies and assistants; improper design of jobs; outmoded work methods; and inappropriate span of control. DON organizations will observe the following fundamental principles: minimize the number of deputies and assistants, with emphasis on line responsibility, and minimize the number of organizational levels, with emphasis on delegation and decentralization of authority to the lowest appropriate working levels.

(2) The responsibility and accountability for the organization of work and position management are explicitly assigned to line managers and supervisors at all appropriate levels of the DON for positions under their control. With the responsibility for this program focused on line management, there is no need for special staff resources beyond those required by reference (a).

g. The delegations addressed in this instruction do not absolve those exercising the authorities from adhering to all statutory and regulatory requirements associated with budget execution, position classification, and position management. Position classification actions must be consistent with the criteria contained in position classification standards and job grading standards issued by OPM and the Office of Civilian Personnel Management and sound position management practices.

h. Military and civilian supervisors will be assessed on their effectiveness in exercising these authorities

in their annual fitness reports and performance reviews. This appraisal may be included in other supervisory/managerial objectives, if not identified separately.

i. The effectiveness of the position classification and position management programs will be included in management evaluations and inspections.

6. Action

a. The Assistant Secretary of the Navy (Manpower and Reserve Affairs) is responsible for:

(1) Monitoring and analyzing formal evaluations and inspections on program effectiveness.

(2) Providing data and evaluation results to top management, as required by reference (a), and providing assessments of program effectiveness.

(3) Assuming jurisdiction and taking classification action on any DON position when required by program considerations, and revoking or requiring the revocation of the position classification authority of any DON organization when there is evidence that the classification program of the organization is deficient, or to prevent undesirable classification practices.

(4) Adjudicating agency-level position classification appeals.

b. The Comptroller of the Navy (NAVCOMPT) is responsible for:

(1) Providing major claimants with authorized levels of funding for civilian compensation by appropriation/fund. These authorizations will be based on the levels of civilian compensation which have been established in the approved budget to accomplish approved funded programs. These payroll authorizations will constitute the baseline for sub-allocation of payroll monies by major claimants and their activities to the lowest practicable level.

(2) Monitoring actual payroll obligations, in accordance with existing financial management policy, to ensure compliance with authorized levels, and taking corrective action as necessary.

c. Regarding the position management and classification programs, the Chief of Naval Operations (CNO), the Commandant of

the Marine Corps, the Chief of Naval Research, the Assistant for Administration, Office of the Under Secretary of the Navy, and CNO Echelon 2 Commands are responsible for:

(1) Ensuring that their organization and subordinate organizations comply with the provisions and requirements of reference (a) and this instruction.

(2) Providing subordinate organizations with appropriate guidelines and training to ensure effective program attainment.

(3) Continuously monitoring the quality and integrity of these programs throughout all echelons of the command by establishing procedures for periodic assessments, as required by reference (a).

(4) Revoking the position classification authority of any subordinate organization when there is evidence that the classification program of the organization is deficient, or to prevent unacceptable classification practices.

(5) Ensuring compliance with classification actions directed by higher authority.

(6) Ensuring existing command instructions are in conformance with reference (a) and this instruction.

(7) Ensuring sufficient resources are available to these programs to ensure appropriate support and effectiveness.

d. Major claimants are responsible for:

(1) Allocating to their activities authorized levels of funding for civilian compensation by appropriation. These authorizations will be consistent with the controls provided by the NAVCOMPT and will support the accomplishment of approved funded programs.

(2) Monitoring actual payroll obligations, per existing financial management policy, to ensure compliance with authorized levels, and taking corrective action as necessary.

e. The military or civilian head of the activity is responsible for:

(1) Allocating within the activity, authorized levels of funding for civilian compensation by appropriation. These authorizations will be consistent with the controls provided by

the major claimant and will support the accomplishment of approved funded program.

(2) Monitoring actual payroll obligations, following existing financial management policy, to ensure compliance with authorized levels and taking corrective action as necessary.

(3) Developing and implementing a plan to delegate these authorities. The plan must minimally contain the following key provisions.

(a) Identification of organizational levels to which these authorities will be delegated.

(b) Identification of positions for which classification authority is delegated to line managers and supervisors.

(c) A process for training current and new managers and supervisors, both military and civilian, delegated these authorities.

(d) A process to administer and monitor these programs on behalf of the activity head.

(e) A process for resolving disagreements over the correctness of classifications and the structure of positions.

(f) Circumstances under which these delegated authorities may be revoked, and a process for revocation.

(g) Verification of accuracy of position descriptions as part of the annual performance appraisal process.

f. The Civilian Personnel Office is responsible for:

(1) Exercising classification authority for those positions for which authority has been delegated by the activity head to the personnel office.

(2) Providing technical documents and advice on classification, compensation, and position management to managers and supervisors, as requested.

(3) Training managers and supervisors in position classification and position management; and

(4) Administering and monitoring the classification and position management programs, as may be directed.

7. Effective Date. This directive is effective 1 October 1986.

Distribution: (2 copies each unless otherwise indicated)

SNDL A	(Navy Department)
21A	(Fleet Commanders in Chief and Detachment)
23	(Force Commanders)
24	(Type Commanders) (Less 24J)
26F	(Operational Test and Evaluation Force and Detachment)
26H2	(Fleet Training Group PAC) (San Diego and Pearl Harbor, only)
26L1	(Polaris Material Office LANT)
26N1	(Headquarters Support Activity LANT)
26Q	(Nuclear Weapons Training Group)
26S1	(Mobile Technical Unit LANT) (MOTUS 2, 10 and 12 only)
26S2	(Mobile Technical Unit PAC) (MOTU 5, only)
26U	(Surface Force Readiness Support Group) (Charleston, only)
26Z	(Shore Intermediate Maintenance Activity) (Less Pearl Harbor)
26JJ	(Fleet Area Control and Surveillance Facility)
26LL2	(Fleet Data Processing Service Center, PAC)
26QQ2	(Special Warfare Group and Unit PAC) (COMNAVSPECWARGRU 1, only)
26RR	(Fleet Imaging Command, Fleet Audiovisual Command Center, Facility and Detachment) (Less FLTIMAGCOMLANT Jacksonville)
26DDD	(Fleet Combat Systems Training Unit)
27G	(Support Force)
28C2	(Surface Group and Force Representative PAC) (COMNAVSURFGRU MIDPAC, only)
39B	(Construction Battalions)
39I	(Construction Battalion Maintenance Unit)
40B	(Control of Shipping Officer) (Bahrain, only)
41A	(Commander, MSC)
41B	(Area Commanders, MSC)
41C	(Sub-Area Commanders, MSC)

Distribution: (Cont'd)

41D3A	(Offices, MSC) (United Kingdom, Honolulu, Pusan, Alaska, Seattle, Long Beach, Norfolk, and Port Canaveral, only)
42A	(Fleet Air Commands)
42B1	(Functional Wing Commander LANT) (less COMSEABASEDASWWINGSLANT)
42B2	(Functional Wing Commander PAC) (less COMLATWINGPACISAT)
42D	(Fleet Aviation Specialized Operational Training Group)
42P1	(Patrol Wing and Squadron LANT) (VP) (VPU) (PATWING 5, 11 only)
42P2	(Patrol Wing and Squadron PAC (VP) (VPU) (PATWING 1, 2, 10, PATWINGSPAC DET ADAK, PATWING ON DET Agana, Cubi Point, Kadena, Misawa, only)
SNDL PART 2	(Naval Shore Activities) (less A, B, C40, Sigonella, Sicily only), C43B, C7, E3A (NRL, only), FA10, FF38, FJC1, FKP1G, FKR1A, FKR4A, FT31, and V)
B3	(College and University)
E3A	(Laboratory ONR) (NRL, only) (8)
FA10	(Submarine Base LANT) (4)
FF38	(Naval Academy) (4)
FJC1	(Civilian Personnel Center (100)
FKP1G	(Naval Ship Weapons Systems Engineering Station) (4)
FKR1A	(Air Station NAVAIRSYSCOM) (6)
FKR4A	(Missile Test Center) (6)
FT31	(Training Center) (7)
MARCORPS L27	(200)

Copy to:

SNDL B5	(U. S. Coast Guard) (COMDT COGARD, only)
B7	Inter-Service Civilian Personnel Support Activities)
50A	(Unified and Specified Commands) (USCINPAC and USCINCLANT, only)
S/HCPO (3)	Provide Labels

NPPSO/DW

Stocked:

CO, NAVPUBFORMCEN
5801 Tabor Avenue
Philadelphia, PA 19120-5099 (500 copies)

APPENDIX B

EXCERPTS FROM THE OFFICE OF CIVILIAN PERSONNEL MANAGEMENT DESK GUIDE FOR MANAGING TO PAYROLL (SEPTEMBER 1986)

PART A

INTRODUCTION

1. MODULE OVERVIEW

This module provides information to assist all DON supervisors/managers responsible for managing personnel resources - **managing to payroll**. Materials in this module focus more on the processes involved in managing civilian compensation dollars than on the mechanics because:

- SECNAV Instruction 12510.9 permits command and activity flexibility in determining the level to which this responsibility may be delegated.

- DON includes a broad array of commands and activities with an equally wide variety of missions.

- Existing operating systems for reporting and tracking labor expenditures vary widely under broad guidelines provided by NAVCOMPT.

Although examples of operating systems are provided, this information serves ONLY as an introduction, to be supplemented freely at the activity level based on individual activity needs and command requirements.

The module is divided into two segments:

A. INTRODUCTION

This section contains this module overview and a brief review of roles and responsibilities outlined in SECNAV 12510.9.

B. MANAGING CIVILIAN COMPENSATION - THE PROCESS

This section examines the two major phases of personnel resource management relative to managing to payroll - **planning** and **execution**. For each phase it includes:

- a discussion of basic concepts,

- examples of alternative operating systems and computation methods used with each, and;

- structured exercises to provide the student with experiences in using computations to solve real problems.

2. ROLES AND RESPONSIBILITIES

A. SECNAV Instruction 12510.9 identifies the role of the Comptroller of the Navy in managing to payroll as follows:

* Provide major claimants with authorized funding levels for civilian compensation by appropriation

* Monitor actual payroll obligations to ensure compliance with authorized levels and take corrective action as necessary

B. At the activity level, the activity head, through his financial officer, the Comptroller, will similarly be responsible for:

* allocating, within the activity, authorized levels of funding for civilian compensation by appropriation. These authorizations will be consistent with controls provided by the major claimant and will support the accomplishment of approved funded programs. Authorizations will apply to both direct-funded employment and to civilian employment funded through reimbursements from other DON activities or government agencies.

* monitoring actual payroll obligations, in accordance with existing financial management policy, to ensure compliance with authorized levels and taking corrective action as necessary.

* providing advice and feedback to managers on the status of their operating targets (OPTARs)

* communicating to managers up-to-date information about the current and expected funding climate.

C. Managers' responsibilities include:

* providing the Comptroller with accurate, up-to-date input on requirements by providing a continuous flow of planning data as it occurs, so the Comptroller will be aware of all activity resource requirements.

* operating within assigned budget controls

* developing financial operating plans

NOTE: Remember that, under managing to payroll, managers will be assessed annually on their performance in managing their civilian compensation costs.

PART B

MANAGING CIVILIAN COMPENSATION – THE PROCESS

B-1. NATURE AND SCOPE OF FISCAL CONTROLS ON CIVILIAN EMPLOYMENT

A. BASIC CONCEPTS

1. Delegation of Authority

SECNAV Instruction 12510.9 delegates position classification authority and position management responsibilities to line managers within the Department of the Navy. Commanding Officers are "authorized and encouraged to redelegate this authority **and associated civilian payroll funds** to subordinate managers and supervisors **at the lowest practicable level** of supervision.

2. Coverage

Under managing to payroll, fiscal limitations on civilian payroll funding will be allocated down the chain of command to the same level as classification and position management authority. This limitation applies to all civilians, including those funded directly and those funded on reimbursable work requests.

Reimbursable support consists of those services which are accomplished at the request of other DON activities or government agencies, and for which manpower costs are reimbursed by that activity or agency. Reimbursable estimates must be addressed in budget submissions in the same way direct funded is identified.

B. THE PLANNING, PROGRAMMING AND BUDGETING SYSTEM

1. PPBS Overview

Planning and programming in the Department of the Navy are integrated with the DOD Planning, Programming and Budgeting System (PPBS). PPBS is a comprehensive system for planning for national defense. It uses the process of programming as a bridge between the already well established functions of military planning and budgeting. In the simplest view, the PPBS in DOD is an attempt to arrive at the most effective allocation of resources to accomplish specified objectives in national defense.

The procedure is analogous to the simplest budgeting process applied by an individual to a personal budget. Regardless of the dollar size of any budget, the problem always exists of choosing between a host of competing or possible programs, each of which would require funding and which, in total, exceed resources available.

Applying the planning, programming and budgeting process to national defense, DOD:

* collects intelligence
* appraises the threat
* based on national policy, develops strategy to meet the threat
* determines force levels to support strategy
* programs weapon systems, manpower and support over a period of time to attain fiscally constrained force levels
* budgets annual allocations of funds to procure personnel and materials required to carry out programs

From this process the Department of the Navy's budget is generated, reflecting specific costs approved for expenditures on civilian compensation.

2. Civilian Compensation Defined

For the purposes of **managing to payroll**, civilian compensation minimally includes salaries, overtime, leave and awards; those cost items identified in Object Class 11 in Civilian Personnel Exhibit #2 (CP#2). See Appendix 11.

* basic compensation costs for full-time, part-time or intermittent permanent employees and temporary employees.

* other compensation, such as nightwork differential, overtime, hazardous duty pay and Sunday pay.

NOTE: Claimants or activities may elect to include other costs (benefits, PCS, training, etc.) as they suballocate payroll limitation, but they will be accountable for Object Class 11 expenditures to the Comptroller of the Navy.

Object Class 11 costs include:

a. Basic Compensation:

- FTP Basic Compensation: represents regular salaries and wages paid or to be paid to civilian full-time employees and other payments that become part of the employee's basic rate of pay (ie. merit pay increases for GM 13-15 employees). Includes regular salaries and wages paid to employees while taking compensatory time, or on annual, sick or other paid leave, and terminal leave payments.

- Other Basic Compensation: represents regular salaries and wages (including terminal leave payments and merit pay increases for GM 13-15 employees) paid directly to other than full-time permanent employees - part-time or temporary employees.

b. Other Compensation: payments above the basic rates paid directly to civilian employees, other than overtime and holiday premium. Includes payments above the basic rate for:

- Intermittent Employment: Regular pay for consultants and other employees with appointments that require work on an irregular or occasional basis, with hours or days of work not based on a prearranged schedule. Compensation is paid only for time actually employed or services actually rendered.

- Cash Incentive Awards: Payments for cash awards that do not become part of the employee's basic rate of pay.

- Sunday Pay: for eight (8) hours or less of regularly scheduled work performed on Sundays.

- Nightwork Differential: for regularly scheduled nightwork.

- Hazardous Duty Pay: because of assignments involving irregular or intermittent performance of duties that subject the employee to unusual hazards or physical hardships.

- Post Differentials: (authorized under 5 U.S.C. 5925) for service at hardship posts abroad that are based on conditions substantially different from those in the contiguous forty-eight states and the District if Columbia.

c. Overtime: payments above the basic pay rate for services in excess of the established work period; usually a forty (40) hour week or an eight (8) hour day.

d. Holiday Premium: payments above the basic pay rate for services of eight (8) hours or less on holidays or days treated as holidays.

e. Other payments above basic rates: for any other premium pay such as stand-by pay and premium pay in lieu of overtime.

NOTE: Cash allowances for higher cost of living locations are excluded from this category. These are classified as benefits under Object Class 12.

f. Special Personal Service Payments: includes regular salaries and wages paid directly to persons whose work years are not reported to OPM as Federal civilian employees, and payments for personal services that do not represent salaries or wages paid directly to Federal employees.This includes:

- Compensation of persons not reportable as Federal employees (witnesses, casual workers, and patient and inmate help).

- Payments for salary equalization authorized for individuals on leave of absence for employment with international organizations or state and local governments (not reported to OPM if the Federal agency pays fifty percent (50%) or less of the person's salary).

- Agency reimbursement to CSRA for reemployed annuitants.

B-2. DEVELOPMENT OF FINANCIAL PLANS UNDER MANAGING TO PAYROLL

A. Introduction

The activity Comptroller, who provides managers with payroll limitations, will also provide managers with information necessary to estimate costs. Upon receipt of this guidance, managers must develop an annual financial plan to ensure that expenditures stay within approved levels. This plan shows current civilian compensation costs and projected costs budgeted for the coming fiscal year.

Various systems exist in DON activities for developing operating plans. Regardless of the type of operating plan selected, the plan must ALWAYS consider the impacts of planned variations from existing costs and reflect these in budgetary projections. These include:

1. situations where allocated funds may not actually be paid for a period of time, thus making those funds available to the manager. Examples:

   - vacancies
   - leave without pay (LWOP)

2. situations where expenditures will exceed existing levels due to planned cost increases. Examples:

   - within grade increases (WIGs)
   - promotions

B. Developing the Plan

The remainder of this section contains two examples of Annual Operating Plans. You will see how they may be used to prepare for expected costs, and also to identify variances from expected costs which may require adjustments.

Remember that these are only <u>representative</u> examples. Specific financial plan formats are a matter of individual command preference.

ANNUAL OPERATING PLAN

EXAMPLE # 1

The chart below shows how typical personnel actions, such as within grade increases (WIGs), new hires and promotions, can affect total salary costs.

NOTES:

1. Total beginning salary costs are approximately $164,000.

2. There is one vacant GS-7/1 position.

3. The organization must remain within its $164,000 budget.

GRADE	BEGIN SALARY	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	AUG	SEPT	ENDING SALARY
GS 12/8	$38,997												$38,997
GS 11/3	28,139				11/4								28,815
GS 11/2	27,260			12/3									28,005
GS 9/1	21,804					11/1							24,969
GS 7/1	17,824								9/1				19,353
GS 7/1	17,824	HIRED											17,824
GS 3/2	11,840						4/1						12,467
TOTAL	$163,688												$170,430

DISCUSSION:

What alternatives does the manager have available to compensate for the overexpenditure?

ANNUAL OPERATING PLAN

EXAMPLE # 2

The chart on the following three pages shows the annual operating plan for the Information, Evaluation and Programs Department for FY 87. To arrive at this comprehensive plan, the manager completed the following actions:

1. List all employees on a worksheet by organizational component - include grade and step.

   NOTE: All vacant positions are listed at step 4.

2. List WIG/Promotion dates for each position.

3. Extract salaries for each position from current salary table.

   a. Multiply salary by benefit ratio plus one.

   NOTES:
   1) Some activities do not include fringe benefit costs in operating plans.

   2) Fringe benefit cost percentages vary from activity to activity.

   3) Activity Office of Comptroller maintains fringe benefit ratio.

   b. Enter this figure under Sal/Ben Per Day column.

4. Divide salary/benefit figure by PAID DAYs in fiscal year to determine salary per day.

5. Multiply the daily salary figure by the number of days in each month.

6. Repeat the process for each position/month until completed.

7. Total monthly columns to determine subtotals for each organizational element.

8. Total all element columns to determine annual budget.

NOTE: Totals in this example will not always equal due to rounding.

ANNUAL OPERATING PLAN

EXAMPLE 2

PREPARED 6 AUG 1986

NAME	GRADE/ STEP	WIGI/ PROMO	SALARY/ BENEFITS	SAL/BEN PER DAY	MONTHLY SALARY/BENEFITS BUDGET - FY 1987 OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
					(23)	(20)	(23)	(22)	(20)	(22)	(22)	(21)	(22)	(23)	(21)	(22)
INFO, EVALUATION AND PROGRAMS DEPARTMENT - CODE A10																
ROGERS, ROY	ES/04	-	76,944	295	6,781	5,896	6,781	6,486	5,896	6,486	6,486	6,191	6,486	6,781	6,191	6,486
BATES, SUSAN	GS-07/05	1/17/88	22,624	87	1,994	1,734	1,994	1,907	1,734	1,907	1,907	1,820	1,907	1,994	1,820	1,907
			99,568	381	8,774	7,630	8,774	8,393	7,630	8,393	8,393	8,011	8,393	8,774	8,011	8,393
SYSTEMS DIVISION - CODE A11																
BRODERICK, CLYDE	GM-15/00	-	58,533	224	5,158	4,485	5,158	4,934	4,485	4,934	4,934	4,710	4,934	5,158	4,710	4,934
AUERBACH, RED	GM-13/00	-	49,463	190	4,359	3,790	4,359	4,169	3,790	4,169	4,169	3,980	4,169	4,359	3,980	4,169
BROWN, CATHY	GS-06/01	1/4/87	17,965	69	1,583	1,377	1,583	1,514	1,377	1,514	1,514	1,445	1,514	1,583	1,445	1,514
BURGESS, ANN	GS-03/01	4/12/87	12,833	49	1,131	983	1,131	1,082	983	1,082	1,082	1,033	1,082	1,131	1,033	1,082
			138,794	532	12,231	10,636	12,231	11,699	10,636	11,699	11,699	11,167	11,699	12,231	11,167	11,699
POLICY BRANCH - CODE A111																
PLUM, ROBERTA	GM-14/00	-	59,574	228	5,250	4,565	5,250	5,022	4,565	5,022	5,022	4,793	5,022	5,250	4,793	5,022
BARROW, HERBERT	GM-13/00	-	47,675	183	4,201	3,653	4,201	4,019	3,653	4,019	4,019	3,836	4,019	4,201	3,836	4,019
REEDER, ELIZABETH	GM-13/00	-	54,741	210	4,824	4,195	4,824	4,614	4,195	4,614	4,614	4,404	4,614	4,824	4,404	4,614
BUSH, SALLY	GS-12/06	9/28/86	41,316	158	3,641	3,166	3,641	3,483	3,166	3,483	3,483	3,324	3,483	3,641	3,324	3,483
			203,306	779	17,916	15,579	17,916	17,137	15,579	17,137	17,137	16,358	17,137	17,916	16,358	17,137
STANDARDS BRANCH - CODE A112																
DUFFER, FRED	GM-14/00	-	59,574	228	5,250	4,565	5,250	5,022	4,565	5,022	5,022	4,793	5,022	5,250	4,793	5,022
COAKER, WILLIAM	GM-13/00	-	49,596	190	4,371	3,800	4,371	4,180	3,800	4,180	4,180	3,990	4,180	4,371	3,990	4,180
BOHREN, ARNOLD	GM-13/00	-	46,792	179	4,123	3,586	4,123	3,944	3,586	3,944	3,944	3,765	3,944	4,123	3,765	3,944
BARON, ALFRED	GS-12/08	4/9/89	43,677	167	3,849	3,347	3,849	3,682	3,347	3,682	3,682	3,514	3,682	3,849	3,514	3,682
WEEPING, VELMA	GS-12/03	6/22/86	37,774	145	3,329	2,895	3,329	3,184	2,895	3,184	3,184	3,039	3,184	3,329	3,039	3,184
			237,413	910	20,921	18,193	20,921	20,012	18,193	20,012	20,012	19,102	20,012	20,921	19,102	20,012

ANNUAL OPERATING PLAN

EXAMPLE 2

PREPARED 6 AUG 1986

NAME	GRADE/ STEP	WIGI/ PROMO	SALARY/ BENEFITS	SAL/BEN PER DAY	MONTHLY SALARY/BENEFITS BUDGET - FY 1987 OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
					(23)	(20)	(23)	(22)	(20)	(22)	(22)	(21)	(22)	(23)	(21)	(22)
ASSESSMENT DIVISION - CODE A12																
ZALENSKI, CARL	GM-15/00	-	66,338	254	5,846	5,083	5,846	5,592	5,083	5,592	5,592	5,338	5,592	5,846	5,338	5,592
WISEMAN, CLEVELAND	GM-13/00	-	51,636	198	4,550	3,957	4,550	4,353	3,957	4,353	4,353	4,155	4,353	4,550	4,155	4,353
HARRIS, BRAD	GM-13/00	-	54,741	210	4,824	4,195	4,824	4,614	4,195	4,614	4,614	4,404	4,614	4,824	4,404	4,614
CANFIELD, ANDREA	GM-13/00	-	44,918	172	3,958	3,442	3,958	3,786	3,442	3,786	3,786	3,614	3,786	3,958	3,614	3,786
FISH, WINNFORD	GS-08/06	5/8/88	25,794	99	2,273	1,977	2,273	2,174	1,977	2,174	2,174	2,075	2,174	2,273	2,075	2,174
HENDERSON, GLORIA	GS-06/08	1/15/89	22,159	85	1,953	1,698	1,953	1,868	1,698	1,868	1,868	1,783	1,868	1,953	1,783	1,868
			265,586	1,018	23,404	20,351	23,404	22,387	20,351	22,387	22,387	21,369	22,387	23,404	21,369	22,387
INFORMATION DIVISION - CODE A13																
VACANT	GM-15/00	-	64,387	247	5,674	4,934	5,674	5,427	4,934	5,427	5,427	5,181	5,427	5,674	5,181	5,427
DEAL, MICHAEL	GM-14/00	-	62,668	240	5,523	4,802	5,523	5,282	4,802	5,282	5,282	5,042	5,282	5,523	5,042	5,282
VACANT (OVERAGE)	GS-06/00	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			127,055	487	11,196	9,736	11,196	10,710	9,736	10,710	10,710	10,223	10,710	11,196	10,223	10,710
REQUIREMENTS DIVISION - CODE A131																
ZOLLINGER, JEFF	GM-14/00	-	64,690	248	5,701	4,957	5,701	5,453	4,957	5,453	5,453	5,205	5,453	5,701	5,205	5,453
KLEE, PAULA	GM-13/00	-	48,831	187	4,303	3,742	4,303	4,116	3,742	4,116	4,116	3,929	4,116	4,303	3,929	4,116
JEFFERSON, THOMAS	GS-12/07	6/8/86	42,496	163	3,745	3,256	3,745	3,582	3,256	3,582	3,582	3,419	3,582	3,745	3,419	3,582
EUSTACE, FRANK	GS-12/06	10/2686	41,316	158	3,641	3,166	3,641	3,483	3,166	3,483	3,483	3,324	3,483	3,641	3,324	3,483
BOYCE, MARILYN	GS-05/01	9/28/86	16,117	62	1,420	1,235	1,420	1,359	1,235	1,359	1,359	1,297	1,359	1,420	1,297	1,359
			213,450	818	18,810	16,356	18,810	17,992	16,356	17,992	17,992	17,174	17,992	18,810	17,174	17,992

ANNUAL OPERATING PLAN

EXAMPLE 2

PREPARED 6 AUG 1986

NAME	GRADE/ STEP	WIGI/ PROMO	SALARY/ BENEFITS	SAL/BEN PER DAY	MONTHLY SALARY/BENEFITS BUDGET - FY 1987 OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
					(23)	(20)	(23)	(22)	(20)	(22)	(22)	(21)	(22)	(23)	(21)	(22)
RESEARCH AND ANALYSIS BRANCH - CODE A132																
VAN WINKLE, RIP	GM-14/00	-	61,011	234	5,376	4,675	5,376	5,143	4,675	5,143	5,143	4,909	5,143	5,376	4,909	5,143
BOSMAN, STEVE	GM-13/00	-	48,525	186	4,276	3,718	4,276	4,090	3,718	4,090	4,090	3,904	4,090	4,276	3,904	4,090
ROSARIO, LISA	GM-13/00	-	49,865	191	4,394	3,821	4,394	4,203	3,821	4,203	4,203	4,012	4,203	4,394	4,012	4,203
BOWER, RHONDA	GS-12/04	7/19/87	38,955	149	3,433	2,985	3,433	3,284	2,985	3,284	3,284	3,134	3,284	3,433	3,134	3,284
CEASAR, LONNIE	GM-13/00*	-	38,955	149	3,433	2,985	3,433	3,284	2,985	3,284	3,284	3,134	3,284	3,433	3,134	3,284
VACANT	GS-11/04	-	32,500	125	2,864	2,490	2,864	2,739	2,490	2,739	2,739	2,615	2,739	2,864	2,615	2,739
HILLER, MARY	GS-11/04	2/1/87	32,500	125	2,864	2,490	2,864	2,739	2,490	2,739	2,739	2,615	2,739	2,864	2,615	2,739
* FUNDED AT GS-12 LEVEL			======	===	======	======	======	======	======	======	======	======	======	======	======	======
			302,310	1,158	26,640	23,166	26,640	25,482	23,166	25,482	25,482	24,324	25,482	26,640	24,324	25,482
SYSTEMS DIVISION - CODE A133																
O'CONNELL, BETTY	GM-14/00	-	54,738	210	4,824	4,194	4,824	4,614	4,194	4,614	4,614	4,404	4,614	4,824	4,404	4,614
DAILEY, MARY	GM-13/00	-	47,324	181	4,170	3,626	4,170	3,989	3,626	3,989	3,989	3,808	3,989	4,170	3,808	3,989
HILLER, ROBERT	GM-13/00	-	48,019	184	4,232	3,680	4,232	4,048	3,680	4,048	4,048	3,864	4,048	4,232	3,864	4,048
VACANT	GS-12/13*	-	38,955	149	3,433	2,985	3,433	3,284	2,985	3,284	3,284	3,134	3,284	3,433	3,134	3,284
VACANT	GS-12/04	-	38,955	149	3,433	2,985	3,433	3,284	2,985	3,284	3,284	3,134	3,284	3,433	3,134	3,284
VACANT (OVERAGE)	GS-04/00		0	0	0	0	0	0	0	0	0	0	0	0	0	0
* FUNDED AT GS-12 LEVEL			======	===	======	======	======	======	======	======	======	======	======	======	======	======
			227,991	874	20,091	17,471	20,091	19,218	17,471	19,218	19,218	18,344	19,218	20,091	18,344	19,218
BUDGET SUMMARY FOR CODE A10																
TOTAL ANNUAL BUDGET - SALARIES AND BENEFITS			1,815,472	6,956	159,984	139,117	159,984	153,028	139,117	153,028	153,028	146,072	153,028	159,984	146,072	153,028

ANNUAL OPERATING PLAN

PROBLEM 1

The Information, Evaluation and Programs Department received approval to create a new division in FY 1987. The Projects Coordination Division, Code A14, will consist of:

1 Division Director	GM-14
3 Analysts (journeymen)	GS-12
1 Analyst (trainee)	GS-7/9/11
1 Secretary	GS-5/6

PROBLEM:

Prepare an Annual Operating Plan for the new Division using the form on the following page.

* Assume all positions are vacant and will be budgeted at the Step 4 level.
* Budget all positions with promotion potential at the entry level.
* The fringe benefits ratio is 12 %.
* The GM-14 position is salaried as a GS-14 step 4 for this example.

DISCUSSION:

How should the manager plan to fund the promotion of the trainee analyst to the GS-9 and GS-11 levels? Same for the secretary?

ANNUAL OPERATING PLAN
PROBLEM 1

MANAGE TO PAYROLL FOR THE INFORMATION, EVALUATION AND PROGRAMS DEPARTMENT - FY 1987

PREPARED 6 AUG 1986

NAME	GRADE/ STEP	WIGI/ PROMO	SALARY/ BENEFITS	SAL/BEN PER DAY	MONTHLY SALARY/BENEFITS BUDGET - FY 1987 OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
					(23)	(20)	(23)	(22)	(20)	(22)	(22)	(21)	(22)	(23)	(21)	(22
PROJECTS COORDINATION DIVISION - CODE A14																
TOTAL																

ANNUAL OPERATING PLAN
PROBLEM 1 - SOLUTION

MANAGE TO PAYROLL FOR THE INFORMATION, EVALUATION AND PROGRAMS DEPARTMENT - FY 1987 — PREPARED 6 AUG 1986

NAME	GRADE/ STEP	WIGI/ PROMO	SALARY/ BENEFITS	SAL/BEN PER DAY	MONTHLY SALARY/BENEFITS BUDGET - FY 1987 OCT (23)	NOV (20)	DEC (23)	JAN (22)	FEB (20)	MAR (22)	APR (22)	MAY (21)	JUN (22)	JUL (23)	AUG (21)	SEP (22
PROJECTS COORDINATION DIVISION - CODE A14																
DIVISION DIRECTOR	GM-14/00		54,738	210	4830	4200	4830	4620	4200	4620	4620	4410	4620	4830	4410	4620
ANALYST	GS-12/04		38,884	149	3427	2980	3427	3278	2980	3278	3278	3129	3278	3427	3129	3278
ANALYST	GS-12/04		38,884	149	3427	2980	3427	3278	2980	3278	3278	3129	3278	3427	3129	3278
ANALYST	GS-12/04		38,884	149	3427	2980	3427	3278	2980	3278	3278	3129	3278	3427	3129	3278
ANALYST	GS-07/04		21,959	84	1932	1680	1932	1848	1680	1848	1848	1764	1848	1932	1764	1848
CLERK TYPIST	GS-05/04		17,730	68	1564	1360	1564	1496	1360	1496	1496	1428	1496	1564	1428	1496
TOTAL			$211,079	809	18,607	16,180	18,607	17,798	16,180	17,798	17,798	16,989	17,798	18,607	16,989	17,798

B-3. EXECUTING THE PLAN

A. BASIC CONCEPTS

1. Delegation of Authority

When managers are granted authority to manage civilian compensation funds, they also become directly responsible for ensuring that expenditures do not exceed funded levels. This demands that the manager:

- pay a great deal of attention to detail, and;
- use measurement devices which provide frequent data on actual expenditures.

The activity Comptroller - providing such data to managers on a regular basis - will monitor obligations, and will take corrective action when necessary. However, it is the manager's responsibility to exercise internal controls to ensure that expenditures do not exceed allocations.

2. Summary of Critical Aspects of Budget Execution under Managing to Payroll

Regardless of the method used to track actual expenditures against an operating plan, several basic factors exist which the manager should ALWAYS consider during the budget execution process:

a. Regularly measure progress against the plan, analyze variances from it, and take action to adjust effectively to accommodate the variances.

b. Use funds properly, consistent with legal constraints; do not overspend or use funds for purposes other than those approved. Understand all constraints.

c. Use financial resources effectively - strive to get the best payoffs from expenditures. Always ask whether a cheaper, better option exists.

d. Remember that budget execution is an ongoing process. Adjustments to plans originally formulated should continue throughout the year.

e. Train users of funds to identify variances and potential budget impactors as soon as possible - long before any formal reports or announcements appear. This will provide an excellent management information system.

3. Using a Tracking System

As you progress through the fiscal year, it is essential that you maintain or have access to a tracking system that enables you to compare actual expenditures with those forecast in the operating plan.

* You should generate (or receive) reports of actual expenditures on a regular basis.

* It is critical that reports of actual expenditures be as **real time** as possible. The sooner after the fact you access them, the more valuable they will be as a tool for recognizing variances and making required adjustments.

* The activity Comptroller will provide periodic obligation data to managers.

B. BUDGET EXECUTION ADJUSTMENTS

The remainder of this section consists of an example and two problems which address practical situations which may arise during the course of the fiscal year. Though similarities exist, each problem uses a distinct approach to addressing variances and corresponding adjustments forced by each.

Remember that these are only representative examples. Specific devices used to report actual expenditures are a matter of individual command preference.

BUDGET EXECUTION

EXAMPLE 1

The Chart below shows projected civilian payroll costs for an organization for FY 87.

1 OCT 86 STAFFING	ANNUAL SALARY	WITHIN GRADES	AMOUNTS DUE & WITHIN GRADES	PROJECTED LOSSES RETIREMENT	OVERTIME	AWARDS
1 GM-15	53,422					
1 GM-14	45,416					
3 GM-13'S	115,301					
2 GS-12'S	73,261	3-28/4-6	529/517			
3 GS-11'S	86,291	10-5/10-29/8-20	869/809/98	RESIGNED		
2 GS-09'S	44,576	5-30/6-16	275/240			
2 GS-05'S	29,419	7-17/7-3	98/116		200	
1 GS-04	13,148	9-8	300		100	
						8,000
TOTALS	$460,834		$3,576			

* Total FY 87 civilian compensation allocation = $472,410.

The following variables apply:

1. Benefits are not included in salaries.
2. Salary projections include a pay raise effective 4 Jan 1987.
3. Average recruitment time is five (5) months.
4. Awards amount reflects the total dollar amount budgeted for the FY87.
5. Overtime is NOT included in salary allocation.

ANNUAL PROJECTED SALARIES	=	$460,834
ANNUAL PROJECTED WITHIN GRADES/ PROMOTIONS	+	3,576
TOTAL SALARIES	=	464,415
AWARDS	+	8,000
BUDGET ALLOCATION	=	$472,410

PROJECTED LOSSES:

* 1-31-87 Retirement

$\frac{\$53,422}{12 \text{ months}}$ x 8 months - $35,615

* 11-30-86 Resignation

$\frac{\$29,662}{12 \text{ months}}$ x 10 months - $24,718

* $35,815
+ $24,718
= $60,533 SAVINGS GENERATED

RESULT:

The manager can be flexibile in allocating the dollar savings generated by the two vacant positions. For example, these dollars are now available to fund projected Overtime costs ($300) not funded in the allocation.

BUDGET EXECUTION

PROBLEM # 1

BACKGROUND:

Current Division "X" workforce and payroll allocation for FY 87:

1 GM-14	$44,430	
1 GM-13	38,900	
1 GS-12/3	33,727	
1 GS-12/2	32,673	
1 GS-12/1	31,619	
1 GS-11/1	26,381	
1 GS-7/1	17,824	
1 GS-4/1	12,862	
	$238,416	Total Basic Salaries
	3,000	Awards
	300	Overtime
	$241,716	FY 87 Payroll Allocation

PROBLEM:

Today is 14 Nov 1987. The GS-12/3 in your office has just advised you that he is going to retire effective 2 January 1987. You proceed to reevaluate the currently classified GS-12 position and determine that the position should actually be a GM-13.

Additionally, the GS-7 in your office is eligible to be promoted to GS-9 on 5 January 1987. You plan to effect this promotion on time.

Target Schedule

-GS-12/3 Retires	2 JAN 87
-GS-7 promoted to GS-9	5 JAN 87
-GM-13 Hired & Onboard	26 JAN 87

Can you take both actions and remain within your FY 87 allocation of $241,716? Show computations.

TARGETED SCHEDULE COMPUTATIONS:

1. Increased cost of promoting GS-7 to GS-9.

GS-7 Salary = $17,824/261 days = 68.29 per day

GS-9 Salary = $21,804/261 days = 83.54 per day

1 Oct 86 - 2 Jan 87 = 68.29 x 68 days = $ 4,644

5 Jan 87 - 30 Sept 87 = 83.54 x 193 days = 16,123

$4,644 + $16,123 = $20.767 Basic New Salary

- $17,824 Total Allocated

$ 2,943 INCREASED LIABILITY

2. Savings from retirement of GS-12/3 for 5 Jan - 30 Sept 87.

GS-12/3 Salary = $33,727/261 days = $129.22

5 Jan - 30 Sept = 193 days x 129.22 = $24,939

DECREASED LIABILITY = $24,939

3. Hiring GM-13 for 26 Jan - 30 Sept 87

GM-13 Salary = $37,599/261 days = $144.06 per day

26 Jan - 30 Sept = 178 days x 144.06 = $25,643

INCREASED LIABILITY = $25,643

TOTAL ASSESSMENT FOR SCHEDULE

-	2,943
+	24,939
-	25,643
_	3,647

BUDGET EXECUTION

PROBLEM # 2

BACKGROUND:

As director of the Research and Analysis Branch, Code A132, you are responsible for comparing expenditures projected in the Annual Operating Plan with actual salary expenditures each month. If variances exist, you must determine how to best utilize available resources to accomplish your assigned mission while remaining within allocated funding levels.

PROBLEM:

Complete the worksheet on the following page to compute actual salary expenditures for the month of July and identify any variances from budget projections.

1. Assume that:

   a. The GS-11/4 position is still vacant.

   b. All other positions are staffed as indicated in the budget.

   c. Mary Hiller and Rhonda Bower received their step increases as scheduled.

2. Compute fringe costs at twelve percent (12%) of salary.

3. Use the PER ANNUM PAY RATE TABLE (Appendix # -)to determine correct salary amounts where necessary.

BUDGET EXECUTION

PROBLEM 2

MANAGE TO PAYROLL FOR THE INFORMATION, EVALUATION AND PROGRAMS DEPARTMENT - FY 1987
MONTH OF JULY 1987

NAME	GRADE/ STEP	WIGI/ PROM	SALARY/ BENEFITS	SAL/BEN PER DAY	BUDGET JUL	DAYS WORKED	ACTUAL JUL	VARIANCE
					(23)			
RESEARCH AND ANALYSIS BRANCH - CODE A132								
VAN WINKLE, RIP	GM-14/00	-	61,011	234	5,376	____	_____	_____
BOSMAN, STEVE	GM-13/00	-	48,525	186	4,276	____	_____	_____
ROSARIO, LISA	GM-13/00	-	49,865	191	4,394	____	_____	_____
BOWER, RHONDA	GS-12/04	7/19/87	38,955	149	3,433	____	_____	_____
CEASAR, LONNIE	GM-13/00*	-	38,955	149	3,433	____	_____	_____
VACANT	GS-11/04	-	32,500	125	2,864	____	_____	_____
HILLER, MARY	GS-11/04	2/1/87	32,500	125	2,864	____	_____	_____
* FUNDED AT GS-12 LEVEL			======	===	======		======	======
			302,310	1,158	26,640			

BUDGET EXECUTION

PROBLEM # 2 - SOLUTION

DISCUSSION:

1. What variances exist? Do they result in savings or over-expenditures?

2. What factors must you consider in determining when to fill the GS-11 vacancy?

3. What steps can the manager take to fund the GM-13 position currently funded at the GS-12 level? What are the potential consequences for the remainder of this fiscal year? for subsequent fiscal years?

COMPUTATIONS:

1. Multiply the **SAL/BEN PER DAY** amount by 23 for the first three individuals. Enter the results on the **ACTUAL JUL** line. Since the budgeted and actual amounts are the same, no variances exist.

2. Compute Rhonda Bower's actual salary/benefits for July.

   a. Calculate the number of days that Rhonda Bower will be paid at the GS-12/04 level (13 days).

   b. Multiply this number by the GS-12/04 **SAL/BEN PER DAY** and enter the result on the **ACTUAL JUL** line.

   c. She will be paid the remaining days at the GS-12/05 level (23 days minus 13 days equals 10 days). Multiply the new **SAL/BEN PER DAY** by 10 and enter the result on the **ACTUAL JUL** line also.

   d. Add these two amounts and subtract the result from the **BUDGET JUL** amount. Enter the result in the **VARIANCE** column as an over-expenditure - (44).

BUDGET EXECUTION

PROBLEM # 2

SOLUTION

MANAGE TO PAYROLL FOR THE INFORMATION, EVALUATION AND PROGRAMS DEPARTMENT - FY 1987
MONTH OF JULY 1987

NAME	GRADE/ STEP	WIGI/ PROM	SALARY/ BENEFITS	SAL/BEN PER DAY	BUDGET JUL	DAYS WORKED	ACTUAL JUL	VARIANCE
					(23)			
RESEARCH AND ANALYSIS BRANCH - CODE A132								
VAN WINKLE, RIP	GM-14/00	-	61,011	234	5,376	23	5,376	Ø
BOSMAN, STEVE	GM-13/00	-	48,525	186	4,276	23	4,276	Ø
ROSARIO, LISA	GM-13/00	-	49,865	191	4,394	23	4,394	Ø
BOWER, RHONDA	GS-12/04	7/19/87	38,955 (1)	149	3,433	10x154 13x149	3,477	(44)
CEASAR, LONNIE	GM-13/00*	-	38,955 (2)	149	3,433	23x161	3,703	(270)
VACANT	GS-11/04	-	32,500	125	2,864	Ø	Ø	2,864
HILLER, MARY	GS-11/04	2/1/87	32,500 (3)	125	2,864	23x128	2,944	(80)
* FUNDED AT GS-12 LEVEL								
			302,310	1,158	26,640		$24,170	2,470

(1) GS-12/5 38,835 x 1.12 = $40,135/261 = $154

(2) GS-13/00 37,599 x 1.12 = $42,111/261 = $161

(3) GS-11/5 29,897 x 1.12 = $33,485/261 = $128

APPENDIX C

FIPC GENERATED
LABOR COST REPORTS

REPORT PERICD ENDING 06 MAY 1989 EMPLOYEE LABOR LISTING PPE 05069 PERIOD 10 PROG L051

ACTY M13 OFF DL1

TYPE	PAYNO	FLSA	JOB ORDER	WC	MC	WCTR	SC	UCA	LCC	CMP	PPC	HOURS	AMOUNT	CODE	REMARKS	SUSPENSE JO
1	00175137	EX	62271SUHF01 01			1					G2	64.0	1,587.84	C		
1	00175137	EX	62271SUVH01 01			1					G2	8.0	196.48	R		
1	00175137	EX	62271SUVJ01 01			1					G2	8.0	198.48	R		
												80.0	1,984.80		EMPLOYEE TOTAL	
1	00175138	EX	62271SUHF01 01			1					G2	40.0	1,156.40	C		
1	00175138	EX	62271SUV801 01			1					G2	16.0	462.56	R		
1	00175138	EX	62271S13001 71			1					G2	24.0	693.84	C		
												80.0	2,312.80		EMPLOYEE TOTAL	
1	00175140	EX	62271SUVP01 01			1					G2	24.0	804.72	R		
1	00175140	EX	62271SUHF01 01			1					G2	56.0	1,877.68	C		
												80.0	2,682.40		EMPLOYEE TOTAL	
1	00175141	EX	62271SUHF01 01			1					G2	8.0	176.00	C		
1	00175141	EX	62271SUVG01 01			1					G2	72.0	1,584.00	R		
												80.0	1,760.00		EMPLOYEE TOTAL	
1	00175143	EX	62271SROHSE 01			1					G2	24.0	767.76	R		
1	00175143	EX	62271SRLCSE 01			1					G2	16.0	511.84	R		
1	00175143	EX	62271SUHF01 01			1					G2	40.0	1,279.60	C		
												80.0	2,559.20		EMPLOYEE TOTAL	
1	00175144	EX	62271SUHF01 01			1					G2	36.0	930.24	C		
1	00175144	EX	62271SUVM01 01			1					G2	16.0	413.44	R		
1	00175144	EX	62271SUVL0 01			1					G2	16.0	413.44	R	MISSING JC MASTER CHGD TO	62271913888
1	00175144	EX	62271S13002 72			1					G2	4.0	103.36	C		
1	00175144	EX	62271S13001 71			1					G2	8.0	206.72	C		
												80.0	2,067.20		EMPLOYEE TOTAL	
1	00175146	EX	62271SUVC01 01			1					G2	64.0	2,315.52	R		
1	00175146	EX	62271S13001 71			1					G2	8.0	289.44	C		
1	00175146	EX	62271SUHF01 01			1					G2	8.0	289.44	C		
												80.0	2,894.40		EMPLOYEE TOTAL	
1	00175147	EX	62271SUHF01 01			1					G2	16.0	413.44	C		
1	00175147	EX	62271S13001 71			1					G2	64.0	1,653.76	C		
												80.0	2,067.20		EMPLOYEE TOTAL	

REPORT PERIOD ENDING 06 MAY 1989 SUMMARY OF LABOR CHARGES PPE 05069 PERIOD 10 PROG L053

APPR SEMD CB SX

91804 1180 62271 0

CC	CC	AAA	JOB ORDER	PROJ/ F C	S E	P C	T CAC	C	OFC	WC	TASK/ SAG	L C	S C	WRK MC CTR	UCA	LCC	CMP	PPC	HOURS	AMOUNT	
13	GF	00179	622719UGFC1	A	B	0	5241	1	ZF1	01	MZ		1					G2	80.0	2,887.20	
13	GF	00179	622719UGFC1	A	B	0	5241	1	ZF1	01	MZ	1	1					G2		1,097.14	
																			80.0	3,984.34	OFC
13	GF	00179	622719UGFC1	A	B	0	5241	1	DF1	01	MZ	1	1					G2		2,178.47	
13	GF	00179	622719UGFC1	A	B	0	5241	1	DF1	01	MZ		1					G2	160.0	5,732.80	
																			160.0	7,911.27	OFC
13	GF	00179	622719UGFC1	A	B	0	5241	1	FF1	01	MZ		1					G2	112.0	2,885.76	
13	GF	00179	622719UGFC1	A	B	0	5241	1	FF1	01	MZ	1	1					G2		1,096.59	
																			112.0	3,982.35	OFC
13	GF	00179	622719UGFC1	A	B	0	5241	1	TF1	01	MZ	1	1					G2		370.45	
13	GF	00179	622719UGFC1	A	B	0	5241	1	TF1	01	MZ		1					G2	48.0	974.88	
13	GF	00179	622719UGFC1	A	B	0	5241	1	TF1	01	MZ		3					G2	80.0	1,387.20	
13	GF	00179	622719UGFC1	A	B	0	5241	1	TF1	01	MZ	1	3					G2		527.14	
																			128.0	3,259.67	OFC
																			480.0	19,137.63	TYPE
																			480.0	19,137.63	JC
13	GF	00179	622719UGFC2	A	B	0	5241	1	ZF1	01	MZ		1					G2	24.0	583.20	
13	GF	00179	622719UGFC2	A	B	0	5241	1	ZF1	01	MZ	1	1					G2		221.62	
																			24.0	804.82	OFC
13	GF	00179	622719UGFC2	A	B	0	5241	1	DF1	01	MZ		1					G2	80.0	2,476.80	
13	GF	00179	622719UGFC2	A	B	0	5241	1	DF1	01	MZ	1	1					G2		941.18	
																			80.0	3,417.98	OFC
13	GF	00179	622719UGFC2	A	B	0	5241	1	FF1	01	MZ		1					G2	60.0	1,218.60	
13	GF	00179	622719UGFC2	A	B	0	5241	1	FF1	01	MZ	1	1					G2		463.07	
																			60.0	1,681.67	OFC
																			164.0	5,904.47	TYPE
																			164.0	5,904.47	JC
																			644.0	25,042.10	SCC

REPORT PERIOD ENDING 22 MARCH 1989 SUMMARY OF LABOR CHARGES PPE 03229 JV 496 CV PROG L063

APPR SBHD 08 SX

91804 1180 62271 0

CC	S CC	AAA	JOB ORDER	PROJ/ F C	S F	R C	CAC	T C	OFC	WC	SAG	L C	S C	TASK/ WRK MC	UCA CTR	LCC	CMP	PPC	HOURS	AMOUNT	
04	EH	00179	622719UEHFM	D	A	0	1760	1	FEH	F	FV	1						G1	8.0	71.44	
04	EH	00179	622719UEHFM	D	A	0	1760	1	FEH	S	FV	1						G1	45.0	40.05	
04	EH	00179	622719UEHFM	D	A	0	1760	1	FEH	01	FV	1						G1	64.0	571.52	
																			117.0	683.01	OFC
																			117.0	683.01	TYPE
																			117.0	683.01	JO
04	EH	00179	622719UEHGT	L	1	0	6820	1	DEH	F	FV	4						W5	8.0	34.00	
04	EH	00179	622719UEHGT	L	1	0	6820	1	DEH	01	FV	4						W5	72.0	306.00	
																			80.0	340.00	OFC
																			80.0	340.00	TYPE
																			80.0	340.00	JO
04	EH	00179	622719UEHHG	L	1	0	6820	1	HEH	F	FV	1						G1	16.0	143.20	
04	EH	00179	622719UEHHG	L	1	0	6820	1	HEH	P	FV	1						G1	32.0	71.52	
04	EH	00179	622719UEHHG	L	1	0	6820	1	HEH	S	FV	1						G1	95.0	84.65	
04	EH	00179	622719UEHHG	L	1	0	6820	1	HEH	01	FV	1						G1	104.0	970.30	
04	EH	00179	622719UEHHG	L	1	0	6820	1	HEH	01	FV	1						G1	24.0	206.96	
																			271.0	1,476.33	OFC
																			271.0	1,476.33	TYPE
																			271.0	1,476.33	JO
																			468.0	2,499.34	SCC

UIC 62271 STATE/COUNTRY CODE 06 APPROP TITLE OMN APPROP 091804 SBHD 1180 AREA 1 MAJOR CLAIMANT 11 PAY PLAN CODE 62

	MANHOURS	AMOUNT
SECTION I DIRECT AND REIMBURSABLE		
101 DIRECT - OC 11/12/13	18,278	623,167
102 REIMBURSABLE REGULAR TIME	5,511	145,556
103 REIMBURSABLE OVERTIME		
104 REIMBURSABLE HOLIDAY PREMIUM PAY		
105 REIMBURSABLE BENEFITS - OC 12		24,872
109 TOTAL SECTION I	23,789	793,595
SECTION II PERSONNEL COMPENSATION - OC 11		
201 FULL TIME PERMANENT - BASIC SALARY	21,242	608,423
202 FULL TIME PERMANENT - OVERTIME		
203 FULL TIME PERMANENT - LUMP SUM LEAVE		
205 PART TIME PERMANENT - BASIC SALARY		
206 PART TIME PERMANENT - OVERTIME		
207 PART TIME PERMANENT - LUMP SUM LEAVE		
209 FULL TIME TEMPORARY - BASIC SALARY	2,344	59,819
211 FULL TIME TEMPORARY - LUMP SUM LEAVE		
213 PART TIME TEMPORARY - BASIC SALARY		
214 PART TIME TEMPORARY - OVERTIME		
215 PART TIME TEMPORARY - LUMP SUM LEAVE		
217 INTERMITTENT - BASIC SALARY	203	4,254
218 INTERMITTENT - OVERTIME		
219 INTERMITTENT - LUMP SUM LEAVE		
221 HOLIDAY PREMIUM PAY		
222 DIFFERENTIAL OUTSIDE CONUS		
223 PREM PAY-FF/SCIENTIFIC/INVEST		
224 NIGHT DIFFERENTIAL		
225 HAZARDOUS DIFFERENTIAL		
226 SUNDAY DIFFERENTIAL		
232 OTHER AWARDS		
233 REHIRED ANNUITANT SALARY		
234 NONINCENTIVE BONUS - NON USA		
236 BONUSES AND PERFORMANCE AWARDS		
237 PRODUCTIVITY AWARDS		200
241 OTHER OBJECT CLASS 11 COMPENSATION		
299 TOTAL SECTION II	23,789	672,696

96,027 = 57,14

UIC 62271 STATE/COUNTRY CODE 06 APPROP TITLE OMN APPROP 091804 SBHO 1180 AREA 1 MAJOR CLAIMANT 11 PAY PLAN CODE 02

	MANHOURS	AMOUNT
SECTION IV - PERSONNEL BENEFITS - OC 12		
401 FEDERAL EMPLOYEE HEALTH BENEFITS		21,673
402 FEDERAL EMPLOYEES GROUP LIFE INSURANCE		1,212
403 CIVIL SERVICE RETIREMENT		23,029
405 FED EMPLOYEES RET SYS - BASIC ANNUITY PLAN		37,549
406 THRIFT SAVINGS PLAN		8,751
407 UNIFORM ALLOWANCES		
408 COST-OF-LIVING ALLOWANCES OUTSIDE CONUS		
409 QUARTERS ALLOWANCES OUTSIDE CONUS		
410 PCS-RELATED COSTS AND MOVING EXPENSES		
411 CASH IN LIEU OF QUARTERS (NSC)		
412 FICA FOR EMPLOYEES NOT UNDER CSRS OR FERS		1,639
413 MEDICARE TAX FOR CSRS EMPLOYEES		4,588
414 FICA FOR FERS EMPLOYEES		21,943
415 BENEFITS FOR NON-CITIZENS		
416 FOREIGN SEPARATION LIABILITY		
417 FICA COSTS FOR OFFSET EMPLOYEES		515
420 OTHER OBJECT CLASS 12 COSTS		
499 TOTAL SECTION IV		120,899
SECTION V - FORMER EMPLOYEES BENEFITS - OC 13		
500 SEVERANCE PAY		

APPENDIX D

NPS DETAILED LABOR COST REPORTS

DIRECT LABOR REPORT FOR MANAGING TO PAYROLL

C/C	S/C	SAG	F	PAY PER.	REG JO	REG HRS	REG AMT	ND HRS	ND AMT	SD HRS	SD AMT	PP HRS	PP AMT	HP HRS	HP AMT
** SAG MZ															
* DEPT 014															
14	CA	MZ	OF	10/08/88	UCAGS	16155.0	201278.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	CA	MZ	RF	10/08/88	UCAGT	1790.0	12009.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	CA	MZ	XO	12/17/88	UCSGA	736.0	10145.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	CA	MZ	XO	02/11/89	UDAGS	424.0	2857.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
* SUBTOTAL *						19105.0	226291.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

LEAVE REPORT FOR MANAGING TO PAYROLL

C/C	S/C	SAG	DEPT	F	PAY PER.	AL JO	AL HRS	AL AMT	SL JO	SL HRS	SL AMT	MISC JO	MISC HRS	MISC AMT	TOT HRS	TOT AMT
** SAG MZ																
* DEPT 014																
14	CA	MZ	014	O	10/08/88	14001	48	795.28	14002	36	534.88		0	0.00	84	1330.16
14	CA	MZ	014	O	10/22/88	14001	96	1209.92	14002	17	183.96		0	0.00	113	1393.88
14	CA	MZ	014	O	11/05/88	14001	96	987.28	14002	24	233.60		0	0.00	120	1220.88
14	CA	MZ	014	R	11/19/88	14001	24	392.88	14002	2	26.87		0	0.00	26	419.75
14	CA	MZ	014	R	12/03/88	14001	129	1652.69	14002	18	367.02		0	0.00	147	2019.71
14	CA	MZ	014	O	12/17/88	14001	54	855.57	14002	62	648.67		0	0.00	116	1504.24
14	CA	MZ	014	O	12/31/88	14001	432	5463.52	14002	27	276.03		0	0.00	459	5739.55
14	CA	MZ	014	O	01/14/89	14001	49	598.26	14002	23	333.47		0	0.00	72	931.73
14	CA	MZ	014	O	01/28/89	14001	110	1154.37	14002	10	126.68		0	0.00	120	1281.05
14	CA	MZ	014	O	02/11/89	14001	60	948.52	14002	148	1355.60		0	0.00	208	2304.12
14	CA	MZ	014	O	05/20/89	14001	35	294.00	14002	9	110.17	14009	8	172.32	52	576.49
14	CA	MZ	014	O	10/08/88	14001	3	58.89	14002	0	0.00		0	0.00	3	58.89
.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
* SUBTOTAL *							1562	19635.75		554	6249.36		8	172.32	2124	26057.43

OVERTIME/AWARDS REPORT

C/C	S/C	SAG	DEPT	F	PAY PER.	OT JO	OT HRS	OT AMT	AWARDS
14	CA	MZ	014	O	05/20/89	RBAMP	40.00	755.20	0.00
14	CA	MZ	014	O	10/08/88		0.00	0.00	50.00
14	CA	MZ	014	O	10/22/88	UCAGS	26.00	471.64	350.00
14	CA	MZ	014	O	12/03/88	RBAMP	44.00	798.16	0.00
14	CA	MZ	014	O	12/17/88	RBAMP	48.00	870.72	0.00
14	CA	MZ	014	O	01/14/89	RBAMP	24.00	453.12	0.00
14	CA	MZ	014	O	01/28/89	RBAMP	44.00	830.72	0.00
14	CA	MZ	014	O	02/11/89	RBAMP	28.00	528.64	0.00
14	CA	MZ	014	O	03/11/89	RBAMP	44.00	830.72	0.00
14	CA	MZ	014	O	04/08/89	UCAGS	32.00	604.16	0.00
14	CA	MZ	014	O	04/22/89	RBAMP	44.00	830.72	0.00
14	CA	MZ	014	O	05/06/89	RBAMP	40.00	755.20	0.00
* SUBTOTAL *							414.00	7729.00	400.00

HOLIDAY REPORT FOR MANAGING TO PAYROLL

C/C	S/C	SAG	F	PAY PER.	HOL JO	HOL HRS	HOL AMT
** SAG MZ							
* DEPT 014							
14	CA	MZ	O	10/22/88	14003	132	1577.88
14	CA	MZ	RF	11/19/88	14003	132	1574.44
14	CA	MZ	O	12/03/88	14003	132	1574.44
14	CA	MZ	O	12/31/88	14003	140	1644.20
14	CA	MZ	O	01/14/89	14003	180	2059.72
14	CA	MZ	O	01/28/89	14003	172	1995.40
14	CA	MZ	O	02/25/89	14003	180	2102.28
* SUBTOTAL *						1068	12528.36

LIST OF REFERENCES

1. Department of the Navy, Office of Civilian Personnel Management, Managing to Payroll Desk Guide, U.S. Government Printing Office, Washington D.C., September 1986.

2. SECNAVINST 12510.9, Delegation of Position Classification Authority and Position Management Responsibility Consistent with Payroll Management, Department of the Navy, Office of the Secretary, Washington D.C., August 26, 1986.

3. Office of Civilian Personnel Management Memorandum 12510.982 OCPM 1112/8h3101 to. the Director Civilian Personnel Policy/Equal Employment Opportunity, Subject: Managing to Payroll Survey of Managers and Supervisors September 2, 1987.

4. CINCPACFLTNOTE 12510, Delegation of Position Classification / Job Grading Authority Under Managing to Payroll, Commander in Chief, United States Pacific Fleet, Pearl Harbor, Hawaii, September 25, 1986.

5. Mikac, Joseph S., Barriers to Effective Program Implementation in the Navy: The Case of "Managing to Payroll", Masters Thesis, Naval Postgraduate School, Monterey, California, December 1988.

6. Office of Civilian Personnel Management Video Presentation (Naval Imaging Command 803802DN), Bearing 2000: "Managing to Payroll: Is it a Better Way?", Naval Imaging Command, Washington, D.C., 1988

7. Personnel letter from Vincent Prantl, Director, Classification Division, Office of Civilian Personnel Management, Washington, D.C., to Joseph Mikac, November 15, 1988.

8. Department of Defense Appropriations for 1989 - Part 3; Hearings before the House Appropriations Subcommittee on the Department of Defense, U. S. Government Printing Office, Washington D. C., 1988.

9. Executive Office of the President, Office of Management and Budget, Appendix to the Budget of the United States Government, FY 1990, U. S. Government Printing Office, Washington D. C., 1989.

10. Arthur Anderson and Company, Washington, D.C., Financial Accounting and Reporting Improvement Concepts, February, 1980.

11. Lecture on Budget Execution by CDR Glen Eberling, SC, USN, for the "Financial Management in the Armed Forces" course, Naval Postgraduate School, Monterey, California, October 24, 1988.

12. Interview between Bob Jay, Deputy Comptroller, Naval Postgraduate School, Monterey, California, and the author, May 21, 1989.

13. Baladouni, Vahe, "The Accounting Perspective Re-examined," The Accounting Review (April 1966), p. 220.

14. Littleton, A.C., and Zimmerman V.K., Accounting Theory: Continuity and Change, Prentice-Hall, Inc., 1962.

15. Smith, J.E., and Smith, N.P., "Readability: A Measure of the Performance of the Communication Function of Financial Reporting," The Accounting Review (July 1971), p. 46.

16. Interview between Marshall, Kneale T., Dean of Information and Policy Sciences, Naval Postgraduate School, Monterey, California, and the author, June 5, 1989.

17. Lopez-Rodriguez, Yolanda, Financial Controls in Managing to Payroll, Student Report for the Professional Military Comptroller Course, United States Air Force Air University, Maxwell Air Force Base, Alabama, November 1988.

18. Telephone conversation between Fred A. Puhala, Senior Accountant, Appropriations Division, Navy Accounting and Finance Center, Washington, D.C., and the author on May 12, 1989.

BIBLIOGRAPHY

Mautz, Robert K., et al, Senior Management Control of Computer Based Information Systems, Financial Executives Research Foundation, Morristown, New Jersey, 1983.

Rockart, John F., and Bullen, Christine V., The Rise of Managerial Computing, Dow-Jones-Irwin, Homewood, Illinois, 1986.

Douglas, Patricia P., "Reporting Accounting Information to Top Management," Corporate Accounting, Volume 5, Summer 1987.

Swain, William A., "Winning Reports," CGA Magazine, July 1987.

Applegate, Lynda M., et al, "Information Technology and Tomorrow's Manager," Harvard Business Review, November-December 1988.

Hayes, James H., et al, A Preliminary Analysis of the Increase in the Average Grade of General Schedule Federal Employees, Rand Corporation, Santa Monica, California, November 1978.

Robichaux, Rory C., "The Database Approach," Journal of Systems Management, November 1980.

Sprague Jr., Ralph H., "A Framework for the Development of Decision Support Systems," MIS Quarterly, Volume 4, Number 4, December 1980.

INITIAL DISTRIBUTION LIST

		No. Copies
1.	Defense Technical Information Center Cameron Station Alexandria, VA 22304-6145	2
2.	Library, Code 0142 Naval Postgraduate School Monterey, CA 93943-5002	2
3.	Naval Postgraduate School ATTN: David R. Whipple Code 54Wr Monterey, CA 93943-5004	1
4.	Naval Postgraduate School ATTN: CDR Glen Eberling Code 54Er Monterey, CA 93943-5004	1
5.	Naval Postgraduate School ATTN: James M. Fremgen Ccde 54Fm Monterey, CA 93943-5004	1
6.	Naval Postgraduate School ATTN: Bob Jay Code 002 Monterey, CA 93943-5002	1
7.	Navy Supply Corps School ATTN: LT Michael Szymanski Athens, GA 30606-5000	1

SCHOOL
A 93943-5002

Thesis
S982 Szymanski
c.1 Managing to Payroll :
an evaluation local acti-
vity data management.

8 JUN 90 36227

Thesis
S982 Szymanski
c.1 Managing to Payroll :
an evaluation local acti-
vity data management.

AMERICAN BINDERIES

Managing to Payroll : an evaluation of I

3 2768 000 83671 2
DUDLEY KNOX LIBRARY